UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2023

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ________ to ________

Commission file number 001-40963

Allbirds, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**47-3999983**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

730 Montgomery Street
San Francisco, CA 94111
(628) 225-4848
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Class A Common Stock, $0.0001 par value per share	BIRD	The Nasdaq Global Select Market

Securities registered pursuant to section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☒
		Emerging growth company	☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant’s executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of voting stock held by non-affiliates of the Registrant on June 30, 2023 (the last business day of the Registrant’s fiscal second quarter), based on the closing price of $1.26 for shares of the Registrant’s Class A common stock as reported by the Nasdaq Global Select Market, was approximately $136.3 million.

As of February 29, 2024, the number of shares of the registrant’s Class A common stock outstanding was 102,641,448 and the number of shares of the registrant’s Class B common stock outstanding was 52,547,761.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement relating to the 2024 annual meeting of stockholders are incorporated by reference into Part III of this Annual Report on Form 10-K where indicated. Such definitive proxy statement will be filed with the U.S. Securities and Exchange Commission within 120 days after the end of the registrant's fiscal year ended December 31, 2023.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, which statements involve substantial risks and uncertainties. All statements other than statements of historical facts contained in this Annual Report on Form 10-K, including, but not limited to, statements regarding our future results of operations, financial condition, business strategy and plans, efforts related to our strategic transformation plan, sustainability-related efforts, market growth and objectives of management for future operations, are forward-looking statements. In some cases, you can identify forward-looking statements because they contain words such as "anticipate," "believe," "contemplate," "continue," "could," "estimate," "expect," "intend," "may," "plan," "potential," "predict," "project," "should," "target," "will," or "would" or the negative of these words or other similar terms or expressions.

You should not rely on forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this Annual Report on Form 10-K primarily on our current expectations and projections about future events and trends that we believe may affect our business, financial condition, and results of operations. The outcome of the events described in these forward-looking statements is subject to risks and uncertainties, including the factors described in "Part I, Item 1A. Risk Factors" and elsewhere in this Annual Report on Form 10-K. Moreover, we operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time, and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this Annual Report on Form 10-K. The results, events, and circumstances reflected in the forward-looking statements may not be achieved or occur, and actual results, events, or circumstances could differ materially from those described in the forward-looking statements.

In addition, statements that "we believe" and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based on information available to us as of the date of this Annual Report on Form 10-K. While we believe that such information provides a reasonable basis for these statements, that information may be limited or incomplete. Our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all relevant information. These statements are inherently uncertain, and investors are cautioned not to unduly rely on these statements.

The forward-looking statements contained in this Annual Report on Form 10-K relate only to events as of the date on which the statements are made. We undertake no obligation to update any forward-looking statements made in this Annual Report on Form 10-K or to reflect new information or the occurrence of unanticipated events, except as required by applicable securities laws. We may not actually achieve the plans, intentions, or expectations disclosed in or expressed by, and you should not place undue reliance on, our forward-looking statements. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures, or investments.

Additional Information

Unless the context otherwise requires, all references in this Annual Report on Form 10-K to "we," "us," "our," "our company," and "Allbirds" refer to Allbirds, Inc. and its subsidiaries. The Allbirds design logo, "Allbirds," and our other registered or common law trademarks, service marks, or trade names appearing in this Annual Report on Form 10-K are the property of Allbirds, Inc. Other trade names, trademarks, and service marks used in this Annual Report on Form 10-K are the property of their respective owners. Solely for convenience, we have omitted the ® and ™ designations, as applicable, for the trademarks we name in this Annual Report on Form 10-K.

We announce material information to the public through a variety of means, including filings with the U.S. Securities and Exchange Commission, or SEC, press releases, public conference calls, our website (allbirds.com), the investor relations section of our website (ir.allbirds.com), our Instagram account (@allbirds), our X account (@allbirds), our LinkedIn account (linkedin.com/company/allbirds), and our Facebook page (@weareallbirds). We use these channels to communicate with investors and the public about our company, our products, and other matters. Therefore, we encourage investors, the media, and others interested in our company to review the information we make public in these locations, as such information could be deemed to be material information. Information contained on, or that can be accessed through, our website or social media channels is not incorporated by reference in this Annual Report on Form 10-K.

RISK FACTORS SUMMARY

Investing in our Class A common stock involves a high degree of risk because our business is subject to numerous risks and uncertainties, as more fully described in “Part I, Item 1A. Risk Factors” of this Annual Report on Form 10-K. Below are some of these risks, any one of which could materially adversely affect our business, financial condition, results of operations, and prospects:

- We may be unable to successfully execute on our strategic transformation plan, simplification initiatives, or our long-term growth strategy, including efforts to maintain or grow our current revenue and profit levels, reduce our costs, or accurately forecast demand and supply for our products.

- If we fail to attract new customers, retain existing customers, or maintain or increase sales to customers, our business, financial condition, results of operations, and growth prospects will be harmed.

- Our operating results may fluctuate significantly and our past operating results may not be a good indication of future performance.

- Our efforts to transition our international go-to-market strategy from a direct model to a distributor model may not be successful and may negatively impact our operating results and brand value.

- Economic uncertainty in our key markets may affect consumer purchases of discretionary items, which has affected and may continue to adversely affect demand for our products.

- If we are unable to maintain and enhance the value and reputation of our brand and/or counter any negative publicity, we may be unable to sell our products, which would harm our business and could materially adversely affect our financial condition and results of operations.

- We have incurred significant net losses since inception and anticipate that we will continue to incur losses for the foreseeable future.

- We operate in a highly competitive market and the size and resources of some of our competitors may allow them to compete more effectively than we can, which could result in a loss of our market share and a decrease in our net revenue and profitability.

- Our focus on using sustainable, high-quality materials and environmentally friendly manufacturing processes and supply chain practices may increase our cost of revenue and hinder our revenue growth.

- Climate change and increased focus by governments, organizations, customers, and investors on sustainability issues, including those related to climate change and socially responsible activities, may adversely affect our reputation, business, and financial results.

- If we are unable to anticipate product trends and consumer preferences, or we fail in our technical and materials innovation to successfully develop and introduce new high-quality products, we may not be able to maintain or increase our revenue and profits.

- We utilize a range of marketing, advertising, and other initiatives to increase existing customers’ spend and to acquire new customers; if the costs of advertising or marketing increase, or if our initiatives fail to achieve their desired impact, we may be unable to grow the business profitably.

- Our business is subject to the risk of manufacturer concentration.

- We have a significant amount of long-lived assets, which are assessed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable; additionally, we may never realize the full value of our long-lived assets, causing us to record material impairment charges.

- As a company that operates retail stores, we are subject to various risks, including commercial real estate and labor and employment risks; additionally, we may be unable to successfully open new store locations in existing or new geographies in a timely manner, if at all, or successfully implement and expand our third-party distribution and retail arrangements, which could harm our results of operations.

- Our business depends on our ability to maintain a strong community of engaged customers, including through the use of social media. We may be unable to maintain and enhance our reputation and brand if we experience negative publicity related to our marketing efforts or use of social media, or otherwise fail to meet our customers' expectations.

- Our financial results may be adversely affected if substantial investments in businesses and operations, including in our retail stores, fail to produce expected returns.

- We are subject to risks related to our ESG activities and disclosures, and our reputation and brand could be harmed if we fail to meet our public sustainability targets and goals.

- We are subject to risks related to our commitment to certain ESG criteria.

- Our reliance on suppliers and manufacturers to provide materials for, and to produce, our products could cause problems in our supply chain.

- Failure of our contractors or our licensees' contractors to comply with our supplier code of conduct, contractual obligations, local laws, and other standards could harm our business.

- The fluctuating cost of raw materials could increase our cost of revenue and cause our results of operations and financial condition to suffer.

- We may fail to protect our intellectual property rights, our trademark and other proprietary rights may conflict with the rights of others, and we may not be able to acquire, use, or maintain our marks and domain names, any of which could harm our brand, business, financial condition, and results of operations.

- If the technology-based systems that give our customers the ability to shop with us online do not function effectively, or we fail to comply with government regulations relating to the internet and eCommerce, our results of operations, as well as our ability to grow our digital business globally, could be materially adversely affected.

- Our international operations expose us to various risks from foreign currency exchange rate fluctuations, tariffs or global trade wars, trade restrictions, and changing tax laws in the United States and elsewhere, among others.

- We are subject to several unique risks as a result of our status as a Delaware public benefit corporation, or PBC, and certified B Corporation, or B Corp, including that our board of directors' duty to balance various interests and our public benefit purpose may result in actions that do not maximize stockholder value.

- The dual class structure of our common stock has the effect of concentrating voting control with our co-founders, Timothy Brown and Joseph Zwillinger, our directors, our principal stockholders, and their respective affiliates, which limits or precludes the ability of our other stockholders to influence corporate matters, including the election of directors and the approval of any change of control transaction.

- If we fail to satisfy all applicable requirements of Nasdaq (including minimum closing bid price requirements), our Class A common stock could be delisted. which could adversely affect the liquidity of our Class A common stock and cause the market price of our Class A common stock to decrease.

If we are unable to adequately address these and other risks we face, our business may be harmed.

PART I

Item 1. Business

Overview

Allbirds is a global lifestyle brand that innovates with sustainable materials to make better footwear and apparel products in a better way, while treading lighter on our planet.

We began our journey in 2015 with three fundamental beliefs about the emerging generation of consumers: first, these consumers recognize that climate change is an existential threat to the human race; second, these consumers connect their purchase decisions with their impact on the planet, demanding more from businesses; and third, these consumers do not want to compromise between looking good, feeling good, and doing good. We became a public benefit corporation, or PBC, under Delaware law and earned our B Corporation, or B Corp, certification in 2016, codifying how we take into account the impact our actions have on all of our stakeholders, including the environment, our flock of employees, communities, consumers, and investors. Our strong brand equity is fueled by our differentiated footwear and apparel products created by sustainability-driven innovation.

Our Products

Our product development engine consists of a fully integrated team across strategy, sustainability, design, sourcing, development, and production, both in our U.S. headquarters and within our manufacturing and supply chain innovation partners, combining to deliver Super Natural Comfort with sustainability at the core and distinctly simple design and performance comfort in mind.

We offer many different products across our footwear and apparel categories, including lifestyle and performance products. Each product adheres to our product design principles, with a goal of creating a timeless, fad-resistant product.

Footwear represents the vast majority of our revenue and is the foundation of our brand. Our core franchises include lifestyle and performance shoes, such as the Dasher and the Runner. We think of each franchise as a unique design that can leverage new materials innovations, colors, partnerships, and adjacent stylings to create freshness for the brand and our customers. Our unique technical expertise in footwear and materials research and development is a basis for our secondary apparel offerings, such as classic tees, sweats, socks, and underwear.

Materials and Innovation

We have examined every component that goes into our products to ensure we deliver design, comfort, and performance. Our innovative approach consists of leveraging materials that are both more sustainable than synthetic alternatives and have tangible benefits for our customers, such as comfort, temperature regulation, and odor control.

Materials research and development involves our Innovation team, with expertise in biomaterials commercialization and polymer science and experts in the fields of biomechanics, polymer development, green chemistry, biotechnology, and sustainable venture investments. We bring these materials to market with our Product Development team to ensure that products meet or exceed our customers' quality and performance standards before they are ready for commercialization. We have developed distinctive "Hero" materials platforms that provide the foundation for our product innovation, which include superfine ZQ certified merino wool, tree fibers, and sugarcane.

Marketing Strategy and Brand

Our purpose-driven lifestyle brand inspires consumers to live life in better balance, a goal central to our marketing and that we believe creates deep affinity and loyalty with our customers, who associate our brand with sustainability and high-quality product experiences. As a primarily vertically integrated company that has a direct relationship with our customers, we couple an organic marketing approach with our vast data ecosystem to construct a well-balanced and diversified marketing funnel with the goal of consistently driving return on advertising spend.

We are focused on increasing brand awareness and consumer touchpoints through the following marketing initiatives:

- Extending our reach and connecting with our customers through digital and performance marketing, social media, TV and other media, stores as physical brand beacons, and customer experience.
- Spreading our message through word-of-mouth, thought leadership, public relations campaigns, partnerships, and community.

Direct Business Strategy

We reach our customers primarily through our direct business, a digitally-led vertical retail distribution strategy, which combines our digital offerings with our retail stores so we can make a strong connection with our customers and meet them where they are, delivering both value and convenience. Our typical customers are younger, live an active and curious lifestyle, care about health and well-being, are willing to pay for premium products, frequently purchase products online, live in urban center settings, and appreciate socially conscious brands. In addition to communicating more effectively with our customers, these insights allow us to meet customers' needs through the creation of new products and enhancements to our existing lines.

Our digital channels include our website and mobile app, which showcase our product portfolio and our branded content, including information on our natural materials and sustainability. The seamless online experience from search to order to fulfillment creates the convenient shopping experience that our customers desire. Our mobile app also allows customers to gain early access to our new product launches, purchase exclusive product drops, and try on footwear virtually, creating further engagement between our brand and our customer.

As of December 31, 2023, our physical retail channel consists of 60 company-operated stores spread across seven countries, with the majority in the United States. While we continue to view retail stores as brand beacons to increase our brand awareness, drive site traffic, and enable us to offer cross-platform shopping, we plan to try to optimize our store fleet via the planned closure of 10 to 15 stores in 2024 based on our review of profitability metrics. These actions will allow us to focus on ensuring that our retail stores are efficiently driving customer acquisition and communicating the brand in a consistent and engaging manner to provide our customers with a seamless shopping experience.

Third-Party Distribution Strategy

In addition to our direct business, we selectively choose third-party retail and distributor partners in the United States and internationally to sell our products.

Our wholesale strategy includes partnering with select retailers in the United States who purchase our products and sell them via their own eCommerce sites and retail stores, which increases our brand awareness and reaches customers where they are. Our distributor strategy includes appointing exclusive distributors in certain international markets, including Canada and South Korea, that sell products purchased from us across eCommerce, brick and mortar, and wholesale channels in their respective markets.

Technology

We leverage modern technology across physical and digital channels which enables us to rely on partners such as Shopify to more effectively scale. To create our digital customer experience, we leverage a common core set of application programming interfaces ("APIs") and tools that enable localization and speed-to-market. We have a sophisticated data infrastructure and toolset that allows our global teams to make informed decisions across key aspects of the business. This powers many areas of our business including marketing, customer relationship management, inventory planning and logistics, and back office functions. Additionally, to protect and secure sensitive data such as customer information, we employ multi-factor authentication, a suite of security tools, systems monitoring and alerting, audit logs, and controls across our major systems, corporate devices, and business processes.

Supply Chain and Operations

Our unique combination of sourcing, manufacturing, and distribution capabilities create a foundation from which we can continue to innovate and scale across the globe. Strong relationships with our suppliers ensure our relatively small supply chain can make a difference in the drive toward innovation and lighter impact on the environment. Our distribution network, comprised of seven primary distribution centers across eight countries (the United States, the United Kingdom, the Netherlands, China, Japan and New Zealand), puts us close to the customer, allowing us to reach over 35 countries in a matter of days with quick, reliable service.

- *Responsible sourcing program and small, tight-knight supply chain.* Our approach to natural materials innovation generates high quality inputs and traceability, helping ensure that our supply chain remains aligned with our brand values. Because of the high standards we promise our consumers, we both partner with certification bodies and do our own work to ensure our suppliers are meeting standards for quality, ethical practices, and environmental sustainability.

- *Manufacturing.* We have carefully selected a small group of Tier 1 factories as our partners to help us make world-class products, helping to develop the technical expertise needed to work with our sustainable materials via an extensive iteration process. We have established deep, long-standing relationships by directly partnering with their development, commercialization, manufacturing, and quality teams from ideation through production, and have embedded our employees within some key factories to oversee the product process. Our relationship-based approach has helped us be nimble and drive flexibility and agility to react to changes in macroeconomic conditions, customer demand, or internal priorities.

  We require that all partners sign our Supplier Code of Conduct, or Supplier Code, which requires our suppliers to operate in full compliance with the applicable laws, rules, and regulations of the countries in which they operate. Our Supplier Code goes further, drawing upon International Labour Organization Core Labor Standards, in order to advance social and environmental responsibility. We also expect our supplier factories to undertake an onsite social assessment by an independent, third-party social assessment firm. These social assessments ensure suppliers meet our minimum expectations with regards to working conditions as specified in our Supplier Code. In addition to conducting our own audits when necessary, we sometimes accept audits that use third-party, mutually recognized standards to reduce audit fatigue at factories and to help ensure safe, lawful, humane, and ethical manufacturing practices.

  As of December 31, 2023, our footwear products are manufactured in Vietnam. Our apparel and other non-footwear products are primarily manufactured in Vietnam and Peru, with China, the United States, and Guatemala supporting a smaller subset across six vendors.

- *Logistics and distribution.* We prioritize customer experience with distribution centers in all of our key markets to manage pick, pack, and ship activities, including retail fulfillment and returns management. We rely solely on third-party logistics providers for these distribution centers, as well as last-mile carriers to distribute finished products from our warehouse locations to our stores and individual orders directly to consumers. Our U.S. business is serviced through two locations in Kentucky and California that enable a quick digital click-to-home while minimizing transportation costs and carbon impact.

Competition

The market in which we primarily operate in is highly competitive. Our competitors include athletic and leisure footwear companies, and athletic and leisure apparel companies. This competition takes place both in physical retail locations as well as online. While this market is highly fragmented, many of our competitors are larger, with strong worldwide brand recognition, and have substantially greater resources than us. In addition, access to offshore manufacturing and the growth of digital have made it easier for new companies to enter the markets in which we compete, further increasing competition in the footwear and apparel industries.

We believe we are well-positioned to compete in this industry given our unique combination of innovative materials and products, purpose-driven lifestyle brand, deep connection with our community of customers, global vertical retail distribution offering, and infrastructure ready for scale.

Public Benefit Corporation Status

As a demonstration of our long-term commitment to environmental conservation, our board of directors and stockholders elected in February 2016 to amend our certificate of incorporation to become a PBC under Delaware law. Under Delaware law, a PBC is required to identify in its certificate of incorporation the public benefit or benefits it will promote and its directors have a duty to manage the affairs of the corporation in a manner that balances the pecuniary interests of the corporation's stockholders, the best interests of those materially affected by the corporation's conduct, and the specific public benefit or public benefits identified in the corporation's certificate of incorporation. A PBC is also required to assess its benefit performance internally and to disclose to its stockholders at least biennially a report detailing the corporation's success in meeting its public benefit objectives.

As provided in our certificate of incorporation, the public benefit that we promote, and pursuant to which we manage our company, is environmental conservation.

Certified B Corporation

While not required by Delaware law or our PBC status, we have elected to have our social and environmental performance, accountability, and transparency assessed against the proprietary criteria established by B Lab, Inc., or B Lab, an independent non-profit organization. We were first designated as a B Corp in 2016. The term "B Corp" does not refer to a particular form of legal entity, but instead refers to a company that has been certified as meeting the social and environmental performance, accountability, and transparency standards set by B Lab.

In order to be designated as a B Corp, companies are required to undertake a comprehensive and objective assessment of their positive impact on society and the environment. The assessment evaluates how a company's operations and business model impacts its workers, customers, suppliers, community, and the environment using a 200-point scale. While the assessment varies depending on a company's size (number of employees), sector, and location, representative indicators in the assessment include payment above a living wage, employee benefits, stakeholder engagement, supporting underserved suppliers, and environmental benefits from a company's products or services. After completing the assessment, B Lab will evaluate the company's score to determine if it meets the requirements for certification using a process described on B Lab's website. Historically, the median score for companies evaluated by B Lab has been 50.9, compared to our latest recertification score of 96.5 in 2023, which increased from our previous scores of 89.4 in 2020 and 81.9 in 2016, despite the growing size and complexity of our business during these years.

Acceptance as a B Corp and continued certification is at the sole discretion of B Lab. To maintain our certification, we are required to update our assessment and provide documentation supporting our updated score with B Lab every three years. In June 2023, we completed our updated assessment for recertification and scored 96.5.

Environmental, Social, and Governance

Environmental

Our intention is to help reverse climate change through better business. We believe that climate change is an existential threat and the number one issue facing humanity and the global economy. Climate change is a complex issue that can be summarized simply: the climate is changing because humans are releasing too many greenhouse gasses into the atmosphere. According to a 2020 McKinsey and Global Fashion Agenda report, the global fashion industry accounted for approximately 4% of global greenhouse gas emissions in 2018, or 2.1 billion tonnes of carbon dioxide equivalent emissions, or CO2e, and over 70% of those emissions were related to upstream activities like materials production, preparation, and processing. The 2015 Paris Agreement set the goal to limit global warming to well below 2° Celsius, preferably to 1.5° Celsius, compared to pre-industrial levels. Under its current trajectory, the fashion industry is expected to fall short of meeting the 1.5° Celsius target by 50%, according to a 2020 McKinsey and Global Fashion Agenda report. The pace of change must accelerate in order for the industry to be compatible with planetary boundaries, and we believe Allbirds offers a blueprint for how to get there. Our approach to addressing the climate impact of our business is scientific and data driven—we first **measure**, then **reduce**, and also support the **removal** of emissions from the atmosphere.

Measure

Allbirds measures CO2e produced in making our products and running our business—because you can't reduce what you don't measure. The information we gather not only informs product design and development, but enables us to identify hotspots in our value chain with the highest emissions and prioritize efforts in areas we can have the most impact.

We use a Life Cycle Assessment, or LCA, methodology to measure the emissions created across the lifetime of our products, including raw materials production, manufacturing, transportation, product use, and end of life. Our LCA methodology has been built in partnership with external experts, and unless otherwise specified, has been third-party verified to meet ISO 14067 standards, the international standard for quantifying, monitoring, reporting, and validating greenhouse gas emissions.

In 2020, we began labeling each of our products with its carbon footprint. We did this for two reasons: to hold ourselves accountable to reducing our impact over time, and to help our customers develop a sense for the climate impact of the things they buy. According to a survey we conducted of 1,300 U.S. customers in 2020, 92% of our customers trust us to deliver reliable information, tools, and advice around sustainability. We empower people to make better decisions for the planet by providing them with objective and quantitative information about the impact of the product they're buying.

Reduce

By using natural and renewable materials along with responsible manufacturing practices, Allbirds produces footwear today with approximately 45% less emissions than what we estimate is the carbon footprint of a standard sneaker. If we assume all 24 billion pairs of shoes produced by the industry in 2019 had a 45% lower carbon footprint relative to our estimate of the carbon footprint of a standard sneaker, the industry would have saved 15,698 million tonnes of CO_2e, which is equivalent to taking 33 million cars off the road in the same timeframe. Using our product carbon footprint methodology, our internal estimates are that we reduced the weighted average carbon footprint of our top 10 products in 2023 by approximately 12%.

To build a business that is compatible with less than 1.5° Celsius warming, we have an ambitious plan to dramatically reduce the per unit carbon footprint for each of our products by 50% by the end of 2025 and by 95% by 2030, in each case, relative to a baseline of what our average carbon emissions would be per unit in 2025 without any further action to limit emissions. Our plan to help reverse climate change has three strategic priorities: Regenerative Agriculture, Renewable Materials, and Responsible Energy. These initiatives are underpinned by five foundational areas: Fair Labor, Water, Chemistry, Animal Welfare, and Traceability and Transparency. These priorities have been defined through a materiality process informed by input from various stakeholder groups including employees, investors, customers, and suppliers.

Within our three priorities, we have outlined ten measurable commitments that collectively can yield a 50% reduction in the per unit carbon footprint for each of our products by the end of 2025, relative to what our average carbon emissions would be per unit in 2025 without any further action to limit emissions. Our strategy is aligned to the United Nations' Sustainable Development Goals, including affordable and clean energy, responsible consumption and production, climate action, and life on land, among others.

We believe that near term goals and progress must be coupled with long term ambition. We have outlined an extension of our 2025 goals to align with the scientific community's focus on achieving significant climate progress by 2030. To that end we established a target to achieve a 95% reduction in our per unit carbon footprint by 2030, relative to a baseline of what our average carbon emissions would be per unit in 2025 without any further action to limit emissions. This is equivalent to a 44% reduction (or a 42% reduction excluding product use) in our absolute carbon footprint against a 2020 baseline across Scope 1, 2, and 3 emissions, despite ambitious growth goals for units sold. Our target has been externally validated as compliant with all the requirements of the Science Based Targets initiative, or SBTi, including a path to a 1.5° Celsius reduction, and we received formal validation by the SBTi in 2021.

Our sustainability plan is not just better for the planet; it is better for our business. We have conducted a rigorous feasibility assessment for each of our targets, including the investment required. We have targets to reduce raw materials use by 25%, relative to a baseline of what our average materials use would be per unit in 2025 without any further action to limit emissions, and to achieve a steady state of greater than 95% of shipments by ocean freight. We expect that these two targets would both reduce costs and positively impact gross margin such that we can achieve all of our targets at a cost savings to the business. By proactively creating a climate-resilient business, we believe we are well-positioned to profitably grow and lead a new age of sustainable manufacturing.

Remove

Since 2019 we have supported offset projects that either avoid or remove emissions, as we work to reduce the carbon footprint of our business. To do that, we incorporated a cost of carbon emissions into our business by implementing an internal carbon tax across all of our sourcing and business decisions. Support for offset projects is a credible tool only if you also have a robust plan to reduce emissions. We are taking steps, through regenerative agriculture, materials innovation, and clean energy, to reduce emissions within our direct footprint and within our supply chain. While there are emissions that we are not able to abate today, we recognize the importance of investing in high quality carbon offset projects, with a focus on shifting to projects that remove or sequester emissions. We know all carbon offsets are not created equal, so we work with trusted partners to source projects we believe in. All of our offset projects must be certified to an internationally recognized offset standard such as Gold Standard and Verified Carbon Standard, and are screened against criteria like permanence, additionality, leakage, and vintage year.

Social

People (Our Flock)

Our thriving culture and talented employees, also known as our "flock," have been a critical factor in our success to date and will be critical to our success in the future. Further, as a PBC, employees are an important stakeholder in our business as are the communities that extend beyond our walls.

As of December 31, 2023, we employed 927 'birds, approximately 77% of whom were located in the United States. Approximately 22% of our 'birds work in one of our corporate functions, with the remainder working in our retail stores and customer experience. We also hire seasonal employees in retail and customer experience, primarily during the peak holiday selling season. None of our employees are represented by a labor union with respect to his or her employment. In certain countries in which we operate, we are subject to, and comply with, local labor law requirements, which include works councils and industry-wide collective bargaining agreements. We have not experienced any work stoppages, and we consider our relations with our employees to be good.

- ***Culture and Our Commitment to Diversity, Equity, Inclusion, and Belonging***

  We are committed to diversity, equity, inclusion, and belonging, and believe our success as a company is dependent upon our ability to integrate tangible, measurable practices to ensure all voices are heard. We have eight employee resource groups, or ERGs, supporting various communities, including women, LGBTQ+, AAPI, Jewish, Latinx, parents/caregivers, neurodiverse, and international inclusion. These ERGs encourage employees to come together and support our business and each other through programming, education, and community engagement. We track and measure our diversity, equity, inclusion, and belonging progress and representation quarterly. As of December 31, 2023, people of color and women made up 52% and 51% of our U.S. workforce, respectively.

- ***Talent Development and Engagement***

  We enable the flock to operate at their highest potential by building critical skills and leadership capabilities across all levels. We train our retail and customer support teams to deliver incredible customer experiences and drive sales, while maintaining our vision and localizing content through collaborative review processes.

  We have implemented critical organizational structures and managerial capabilities, including building an executive leadership team with deep expertise. We conduct bi-annual surveys to collect feedback and understand employee sentiment and engagement, and host inclusive leadership training sessions.

- ***Total Rewards***

  Our total rewards strategy is designed to encourage employees to live our values while helping us to achieve company sustainability goals. For example, we provide our full-time employees with 16 hours of paid time off each year specifically for volunteer activities performed during working hours, as well as charitable donation matching up to $500 in 2023. Furthermore, a portion of our executive compensation for director level and above is explicitly tied to a target reduction in company-wide emissions.

Our Customers

For too long, the footwear and apparel industry has offered customers a false trade-off between sustainable products and great products. We offer great products that are also sustainable, and make it easy for our customers to understand the impact of the products they buy through our carbon footprint labels. In this way, we believe we empower our customers to make more informed purchasing decisions.

Our Community

A core tenet of our B Corp status is supporting the communities in which we operate. As an example, we have a long-standing partnership with Soles4Souls. Our generous 30-day return policy means that gently worn shoes get sent back to us. When shoes are returned to Allbirds, those that can't go back onto the shelf are donated to Soles4Souls. Soles4Souls works with partner organizations in developing countries. Since our first sale in 2016, we have donated more than 270,000 pairs of shoes to Soles4Souls.

Governance

In addition to our status as a PBC and certification as a B Corp, we also focus on the following areas of governance:

Oversight and Our Board of Directors

We regularly require that ESG issues are represented at the highest level of decision making. We have a gender-diverse board of directors, with two out of our seven directors identifying as women. Management reports on ESG issues to our board of directors on a quarterly basis. The sustainability, nomination, and governance committee of our board of directors is responsible for overseeing ESG matters.

Dual Class Common Stock Structure

Since the beginning of our history, our founders have been singularly focused on building a sustainable business that demonstrates profitable growth because it is sustainable. This is also true for the stockholders who have partnered with us since the early stages of our journey. We have prioritized protecting the ability of our founders and our early financial partners to continue driving toward that vision by implementing a dual class common stock structure that is designed to allow for a thoughtful calibration of long-term objectives with short-term demands.

ESG Reporting

In accordance with our PBC status, we report to stockholders on our investor relations website, on at least a biennial basis, an assessment of our progress towards our stated public benefit of environmental conservation and general PBC objectives, known as our “Flight Status” report.

We have worked with external experts to align our ESG reporting with the Sustainability Accounting Standards Board and Task Force on Climate-Related Financial Disclosure frameworks, which for 2023 will be included in our “Flight Status” report.

In November 2022, we published an update of our progress against our previously disclosed SPO Framework on our investor relations website. Information contained on, or that can be accessed through, our investor relations website is not incorporated by reference in this Annual Report on Form 10-K.

Sustainalytics ESG Risk Rating

We believe it is important to seek external evaluation of the work we are doing to validate progress and identify areas for improvement. In a world where climate change is an existential threat, supply chains are increasingly complex, and human capital management is more important than ever, it is important for Allbirds to analyze and manage ESG risks to our business. In 2021, we engaged Sustainalytics, a globally recognized independent ESG assessment provider, to perform a broad-based Corporate ESG Assessment of Allbirds covering seven distinct ESG categories, including Human Capital, Supply Chain, Resource Use, Emission & Waste, and Corporate Governance. In November 2023, we received an updated ESG risk rating from Sustainalytics of 18.3, which places us in the “low risk” category.

Intellectual Property

We rely on a combination of trademarks, copyrights, trade secrets, design and utility patents, license agreements, confidentiality procedures, non-disclosure agreements, employee non-disclosure and invention assignment agreements, and other legal and contractual rights to establish and protect our proprietary rights.

We have registered domain names for websites that we use in our business, such as allbirds.com and similar variations. Further, we have developed internal practices around ongoing trademark and design patent registration pursuant to which we register brand names and product names, product designs, taglines, and logos to the extent we determine appropriate and cost-effective.

We control access to and use of our proprietary and other confidential information through the use of internal and external controls, including contractual protections with employees, contractors, customers, and partners. It is our practice to enter into confidentiality and invention assignment agreements (or similar agreements) with our employees, consultants, and contractors involved in the development of intellectual property on our behalf. We also enter into confidentiality agreements with other third parties in order to limit access to, and disclosure and use of, our confidential information and proprietary information.

We intend to pursue additional intellectual property protection to the extent we believe it would be beneficial and cost effective. Despite our efforts to protect our intellectual property rights, they may not be respected in the future or may be invalidated, circumvented, or challenged. For additional information, see the section titled “Risk Factors—Risks Related to Intellectual Property, Information Technology, and Data Security and Privacy.”

Government Regulations

In the United States and the other jurisdictions in which we operate, we are subject to labor and employment laws, laws governing advertising, privacy and data security, product labeling and compliance, safety regulations, and other laws, including consumer protection regulations that apply to retailers and/or the promotion and sale of merchandise and the operation of our retail stores, manufacturing-related facilities and distribution centers. Our products, which are predominantly manufactured in countries other than the United States and which are sold in over 35 countries across the world, may be subject to tariffs, treaties, and various trade agreements, as well as laws affecting the importation of consumer goods. We monitor changes in these laws and believe we are in material compliance with applicable laws.

Seasonality

Our business is affected by general seasonal trends common to the retail footwear and apparel industry, with sales typically lower in the first quarter of the year and typically higher during the end-of-year holiday period that falls within our fourth quarter.

Corporate Information

We were incorporated in Delaware in May 2015 as Bozz, Inc. In December 2015, we changed our name to Allbirds, Inc., and we became a Delaware PBC in February 2016. Our principal executive offices are located at 730 Montgomery Street, San Francisco, California 94111. Our telephone number is (628) 225-4848. Our U.S. website address is allbirds.com. Information contained on, or that can be accessed through, our website is not incorporated by reference in this Annual Report on Form 10-K.

Available Information

We file annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to reports filed or furnished pursuant to Sections 13(a) and 15(d) of the Exchange Act. The SEC maintains a website at www.sec.gov that contains reports, proxy and information statements, and other information that we file or furnish with the SEC electronically. Copies of our reports on Form 10-K, Form 10-Q, Form 8-K, and amendments to those reports may also be obtained, free of charge, electronically through our investor relations website located at ir.allbirds.com as soon as reasonably practical after we file such material with, or furnish it to, the SEC.

Item 1A. Risk Factors

A description of the risks and uncertainties associated with our business is set forth below. You should carefully consider the risks and uncertainties described below, together with all of the other information in this Annual Report on Form 10-K, including our consolidated financial statements and related notes included in Part II, Item 8, and the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in Part II, Item 7. The occurrence of any of the events or developments described below could materially and adversely affect our business, financial condition, results of operations, and growth prospects. In such an event, the market price of our Class A common stock could decline, and you may lose all or part of your investment. Additional risks and uncertainties not presently known to us or that we currently believe are not material may also impair our business, financial condition, results of operations, and growth prospects.

Risks Related to Our Business, Brand, Products, and Industry

We may be unable to successfully execute on our strategic transformation plan, simplification initiatives, or our long-term growth strategy, including efforts to maintain or grow our current revenue and profit levels, reduce our costs, or accurately forecast demand and supply for our products.

In August 2022, as a result of external headwinds, we announced certain simplification initiatives designed to generate cost of revenue savings, streamline workflows, and lower operating costs. These initiatives focus on reducing costs related to our supply chain and selling, general, and administrative expenses. Our supply chain initiatives include reducing logistics costs in the United States by transitioning to automated distribution centers and a dedicated returns processor, optimizing inventory to accelerate logistics cost savings, which includes inventory write-downs and write-offs over certain products, and accelerating the scaling of our manufacturing base to reduce product carbon footprint and product costs over time. Our selling, general, and administrative expense initiatives include plans to reduce corporate office space and reduce corporate headcount. In addition, we have slowed the pace of corporate new hires and backfills for departing employees, and in July 2022 we reduced our global corporate workforce by 23 employees, which represented approximately 8% of our global corporate workforce.

In March 2023 we announced a strategic transformation plan to (i) reignite product and brand, (ii) optimize U.S. stores and slow the pace of new store openings, (iii) evaluate a transition of our international go-to-market strategy and (iv) improve cost savings and capital efficiency, including through a further reduction in our global corporate workforce in May 2023 of 21 employees, which represented approximately 9% of our global corporate workforce.

Successfully executing our long-term growth and profitability strategy and maintaining our revenue and profit levels or growing them in the future will depend on many factors, including our ability to:

- increase brand awareness and drive efficient customer acquisition through brand marketing and leveraging third party stores;
- continue growth within our existing customer base and increase closet share by focusing on our core franchise products;
- optimize our store fleet and execute our vertical distribution strategy of slowing the pace of retail store openings and transitioning our international go-to-market strategy from a direct model to a distributor model;
- grow our product innovation platform while understanding the market opportunity for new product styles;
- scale our infrastructure for profitable growth;
- materialize our product and brand initiatives in a timely fashion;
- accurately forecast demand for our product and implement a more focused product strategy; and
- continue focusing on using sustainable materials.

We cannot guarantee that we will successfully implement all of these initiatives or that we will achieve or sustain the expected benefits, or that the benefits, even if achieved, will be adequate to meet our medium- or long-term financial and operational expectations. We may also experience additional unexpected costs and negative impacts on our cash flows from operations and liquidity, employee attrition and adverse effects on employee morale, diversion of management attention, adverse effects to our reputation as an employer, which could make it more difficult for us to hire new employees in the future, and potential failure or delays to meet operational and growth targets due to the loss of qualified employees. If we do not realize the expected benefits of these initiatives or experience additional unexpected costs in connection with these initiatives, our business, financial condition, results of operations, and cash flows could be negatively impacted.

If we fail to attract new customers, retain existing customers, or maintain or increase sales to customers, our business, financial condition, results of operations, and growth prospects will be harmed.

Our success depends in large part upon widespread adoption of our products by our customers. In order to attract new customers and continue to expand our customer base, we must appeal to and attract customers who identify with our sustainable footwear and apparel products. If the number of people who are willing to purchase our products does not continue to increase, if we fail to deliver a high quality shopping experience, if our third-party arrangements are not successful, if we make products that our customers do not buy in sufficient quantities, or if our current or potential future customers are not convinced that our products are superior to alternatives, then our ability to retain existing customers, acquire new customers, and grow our business may be harmed. For example, since the launch of our first generation of apparel products, our customers have not purchased certain of these products in sufficient quantities, and, in the second quarter of 2022, we determined that we needed to adjust our overall apparel strategy and discontinue the product line. As a result, in 2022, we recognized a non-cash inventory write-down in our consolidated statement of operations and comprehensive loss, primarily related to these certain first-generation apparel products.

We have made significant investments in enhancing our brand and attracting new customers, and we expect to continue to make significant investments to promote our products, including in connection with our strategic transformation plan for our focused product strategy. Such campaigns can be expensive and may not result in new customers or increased sales of our products. Further, as our brand becomes more widely known, we may not attract new customers or increase our net revenue at the same rates as we have in the past. If we are unable to acquire new customers who purchase products in numbers sufficient to grow our business, we may not be able to generate the scale necessary to drive beneficial network effects with our suppliers, our net revenue may decrease, and our business, financial condition, and results of operations may be materially adversely affected.

In addition, our future success depends in part on our ability to increase sales to our existing customers over time, as a significant portion of our net revenue is generated from sales to existing customers, particularly those existing customers who are highly engaged and make frequent and/or large purchases of the products we offer. If existing customers no longer find our products appealing or are not satisfied with our customer service, or if we are unable to timely update our products to meet current trends and customer demands, our existing customers may not make purchases, or if they do, they may make fewer or smaller purchases in the future.

If we are unable to continue to attract new customers or our existing customers decrease their spending on the products we offer or fail to make repeat purchases of our products, our business, financial condition, results of operations, and growth prospects will be harmed.

Our operating results may fluctuate significantly and our past operating results may not be a good indication of future performance.

Our results of operations have varied, and could in the future, vary significantly from period to period as a result of various factors, some of which are outside of our control. Comparing our results of operations on a period-to-period basis may not be meaningful, and our past results should not be relied upon as an indication of our future performance.

We were founded in May 2015 and first sold our products in 2016. As a result of our limited operating history as well as our evolving business strategies, including our recent strategic transformation plan, our ability to accurately forecast our future results of operations is limited and subject to a number of uncertainties, including our ability to plan for and model future growth. Our historical revenue growth has been inconsistent, was derived from a more concentrated number of geographies, and should not be considered indicative of our future performance. Further, in future periods, our revenue growth could slow or our revenue could decline for a number of reasons, including changes in our business operations and strategy (such as our transition to a distributor model in a given territory), a decline in demand for our products, an increase in competition, a decrease in the growth of our overall market, our entry into new geographies where our prior operating history is less relevant or predictive, or our failure, for any reason, to continue to capitalize on growth opportunities. In addition, we regularly release new products and it is difficult to predict the commercial success of newly released products. For example, in 2022 we recognized a non-cash inventory write-down in our consolidated statement of operations and comprehensive loss, primarily related to certain first-generation apparel products which were not purchased in sufficient quantities by our customers. In September 2023, we entered into asset purchase agreements for the sale of certain net assets used in connection with the operations of our businesses in South Korea and Canada, resulting in losses based on the difference between the net book value of assets and liabilities sold against the consideration received; we may experience similar losses in connection with future transitions to a distributor model. We have also encountered, and will continue to encounter, risks and uncertainties frequently experienced by growing companies in rapidly changing industries, such as the risks and uncertainties described herein. If our assumptions regarding these risks and uncertainties (which we use to plan our business) are incorrect or change due to (i) changes in our market or the geographies where we operate and where we sell our products or (ii) changes to our business models, or if we do not address these risks successfully, our operating and financial results could differ materially from our expectations, and our business could suffer. The impact of one or more of the foregoing and other factors may cause our results of operations to vary significantly. As such, period-over-period comparisons of our results of operations may not be meaningful and should not be relied upon as an indication of future performance.

Fluctuations in our results of operations may be particularly pronounced in the current economic environment due to the uncertainty caused by consumer spending patterns, inflationary pressures, liquidity concerns at, and failures of, banks and other financial institutions, overall economic conditions, and geopolitical events, such as wars in Ukraine and Israel. Fluctuations in our results of operations may cause those results to fall below our financial guidance or other projections, or the expectations of analysts or investors.

Our efforts to transition our international go-to-market strategy from a direct to a distributor model may not be successful and may negatively impact our operating results and brand value.

In September 2023, we entered into asset purchase agreements with an unaffiliated distributor in Canada and an unaffiliated distributor in South Korea to purchase certain assets used in the operation of our Canadian and South Korean businesses. Our Canadian and South Korean distributors operate our existing stores and sell products purchased from us through various distribution channels, including the retail stores and eCommerce platform, under our brand names in their particular territory. Historically, we have no experience operating through these types of third-party arrangements, and we can provide no assurance that these arrangements will be successful. While we expect that this will be a small part of our business in the near future, our plan is to increase the number of countries in which we enter into these types of arrangements over time as part of our efforts to transition our international go-to-market strategy from a direct to a distributor model. For example, in November 2023, we entered into a non-binding letter of intent with an unaffiliated distributor for Japan. In December 2023, we entered into a distribution agreement taking effect in July 2024 with an unaffiliated distributor for Australasia. The effect of these distributor arrangements on our business and results of operations is uncertain and will depend upon various factors, including the demand for our products in existing markets internationally and our ability to successfully identify appropriate third parties to act as distributors, negotiate the terms of our agreements with such third parties and complete the implementation of our agreements with them. In addition, certain aspects of these arrangements will not be directly within our control, such as the completion of any employee consultation process that may apply to us in connection with the transition of any particular country (such as New Zealand) and the ability of these third parties to meet their projections regarding sales, to comply with their own legal and contractual obligations, and to maintain good business practices in a manner that reflects positively on the Allbirds brand and reputation. Moreover, while we expect that the agreements we plan to enter into in the future will provide us with certain termination rights, to the extent that these third parties do not operate their retail stores and eCommerce platforms in a manner consistent with our brand identity requirements, customer experience standards, and sustainability and ESG-related expectations, the value of our brands could be impaired. Failure to successfully execute the distributor arrangements, or a failure to protect the value of our brands, could have a material adverse effect on our results of operations.

Additionally, as part of a transition from a direct to a distributor model in certain countries, we may incur expenses and charges, including but not limited to, those associated with employees, inventory, leases and long-lived assets, that could have a material adverse effect on our our business, financial condition, results of operations, and cash flows.

Economic uncertainty in our key markets may affect consumer purchases of discretionary items, which has affected and may continue to adversely affect demand for our products.

Our products may be considered discretionary items for consumers. Factors affecting the level of consumer spending for such discretionary items include general economic conditions and other factors such as interest rates, inflation, consumer confidence in future economic conditions, fears of recession and trade wars, the availability and cost of consumer credit, future pandemics or public health crises, international trade relations, domestic and international geopolitical turmoil, geopolitical events, lower corporate earnings, reductions in business confidence and activity, levels of unemployment, and tax rates. As global economic conditions continue to be volatile or economic uncertainty remains, and with increasing inflation and interest rates and liquidity concerns, and failures of banks and other financial institutions, trends in consumer discretionary spending also remain unpredictable and subject to reductions as a result of significant increases in unemployment, financial market instability, uncertainties about the future, and other factors. Unfavorable economic conditions have led and, in the future, may lead consumers to delay or reduce purchases of our products. Consumer demand for our products may also decline as a result of store closures, an economic downturn, or economic uncertainty in our key markets, particularly in North America, Europe, and Asia. Our sensitivity to economic cycles and any related fluctuation in consumer demand may have a material adverse effect on our business, results of operations, and financial condition.

One factor in our success is the strength of our brand; if we are unable to maintain and enhance the value and reputation of our brand and/or counter any negative publicity, we may be unable to sell our products, which would harm our business and could materially adversely affect our financial condition and results of operations.

The Allbirds brand is integral to our business strategy and our ability to attract and engage customers. As a result, our success depends on our ability to maintain and enhance the value and reputation of the Allbirds brand. Maintaining, promoting, and positioning our brand will depend largely on the success of our design and marketing efforts, including advertising, social media, and consumer campaigns, as well as our product innovation, product quality, and sustainability initiatives. Our commitment to product innovation, quality, and sustainability and our continuing investment in design (including materials) and marketing efforts may not have the desired impact on our brand image and reputation.

We rely on social media, as one of our key marketing strategies, to have a positive impact on both our brand value and reputation. Our brand also depends on our ability to maintain a positive consumer perception of our corporate integrity, culture, mission, vision, and values, including our status as a Delaware public benefit corporation, or PBC, and our commitment to environmental conservation and sustainability. Any actions or any public statements or social media posts about Allbirds or our products by our customers, consumers who have not yet bought our products, our current or former employees, brand affiliates and partners, social media influencers, celebrities, or other public figures, whether authorized or not, that are contrary to our values may negatively affect consumer perception of our brand. Any incidents involving our company, our suppliers or manufacturers, our brand affiliates and partners, or others, or the products we sell, could erode the trust and confidence of our customers, and damage the strength of our brand, especially if such incidents result in adverse publicity, governmental investigations, product recalls, or litigation.

Our brand and reputation could be adversely affected by any number of factors or events, including if our public image is tarnished by negative publicity due to our actions or those of persons associated with us or formerly associated with us (including employees, celebrities, social media influencers, brand affiliates and partners or others who speak publicly or post on social media about our brand or our products, whether authorized or not), if we fail to deliver innovative and high quality products, if we face or mishandle a product recall, or if we are subject to claims of "greenwashing" (e.g., if the carbon footprint of one or more of our products is alleged to be greater than what we claim, or if we fail or are alleged to have failed to achieve our sustainability goals). Our brand and reputation could also be negatively impacted by adverse publicity, whether or not valid, regarding allegations that we, or persons associated with us or formerly associated with us, have violated applicable laws or regulations, including but not limited to those related to product labeling and safety, marketing, employment, discrimination, harassment, whistle-blowing, privacy, corporate citizenship, improper business practices, or cybersecurity. Negative publicity regarding our suppliers, manufacturers, or distributors could adversely affect our reputation and sales and could force us to identify and engage alternative suppliers, manufacturers, or distributors. Additionally, while we devote considerable efforts and resources to protecting our intellectual property, if these efforts are not successful, the value of our brand may be harmed. Any harm to our brand and reputation could adversely affect our ability to attract and engage customers and could have a material adverse effect on our business, financial condition, and results of operations.

In addition, the importance of our brand may increase to the extent we experience increased competition, which has required and could continue to require additional expenditures on our brand promotion activities. Maintaining and enhancing our brand image also has required us and may require us to continue to make additional investments in areas such as merchandising, marketing, and online operations. These investments may be substantial and may not ultimately be successful.

We have incurred significant net losses since inception and anticipate that we will continue to incur losses for the foreseeable future.

We incurred full year net losses of $152.5 million and $101.4 million in 2023 and 2022, respectively, and had an accumulated deficit of $391.2 million as of December 31, 2023. We expect to continue to incur significant losses in the future. We will need to generate and sustain increased revenue levels in future periods to achieve profitability, and even if we achieve profitability, we may not be able to maintain or increase our level of profitability. Although the strategic transformation plan announced in March 2023 includes cost and cash optimization efforts, our operating expenses may increase substantially in the future as we continue to, among other things:

- execute on our long-term growth strategy and strategic plans;

- invest in our relationships with third parties, including retail partners and distributors;
- update our product and style mix;
- invest in new materials innovation and technology;
- focus on sustainable and environmentally friendly practices in our supply chain, which are often more expensive than traditional alternatives;
- invest in advertising and marketing initiatives to engage existing and new customers, enhance awareness of our brand, and grow market share;
- optimize our number of retail store locations;
- invest in the overall health and well-being of our employees;
- address increased competition;
- recruit and retain talent; and
- incur significant accounting, legal, and other expenses as a public company that we did not incur as a private company.

These expenditures will make it more difficult for us to achieve and maintain profitability. Our efforts to grow our business may be more costly than we expect or may not result in the returns we anticipate, and we may not be able to increase our revenue enough to offset our higher operating expenses. If we are forced to reduce our expenses beyond what we expect as a result of our cost savings initiative, it could negatively impact our growth and growth strategy. As a result, we can provide no assurance as to whether or when we will achieve profitability. If we are not able to achieve and maintain profitability, the value of our company and our Class A common stock could decline significantly.

We operate in a highly competitive market and the size and resources of some of our competitors may allow them to compete more effectively than we can, which could result in a loss of our market share and a decrease in our net revenue and profitability.

The market for footwear and apparel is highly competitive. Our competitors include athletic and leisure footwear companies, as well as athletic and leisure apparel companies. We also compete directly against wholesalers and direct retailers of footwear and apparel, including large, diversified apparel companies with substantial market share and established companies expanding their production and marketing of technical footwear, as well as against retailers specifically focused on footwear. This competition takes place both in physical retail locations as well as online. Competition has and may in the future result in pricing pressures, reduced profit margins, lost market share, or a failure to grow or maintain our market share, any of which could substantially harm our business and results of operations. Many of our competitors are large apparel and/or footwear companies with strong worldwide brand recognition, while others are new market participants with low barriers to entry. Because of the fragmented nature of the industry, we also compete with other footwear and apparel sellers, including those specializing in athletic footwear and other casual footwear. Many of our competitors have significant competitive advantages, including longer operating histories, larger and broader customer bases, more established relationships with a broader set of suppliers and distributors, greater brand recognition, and greater financial, research and development, store development, marketing, distribution, and other resources than we do.

We rely on technical and materials innovation to offer high-quality products.

Technical and materials innovation and quality control in the design and manufacturing process of our footwear and apparel is essential to the commercial success of our products. Research and development play a key role in technical and materials innovation. We rely upon specialists in the fields of materials sciences, sustainability, and related fields. While we strive to produce products that are comfortable and environmentally sustainable, if we fail to introduce technical and materials innovation in our products, then consumer demand for our products could decline and we may be unable to meet our sustainability goals, which could harm our brand and reputation, and if we experience problems with the quality of our products, we may incur substantial expense to remedy the problems.

Our focus on using sustainable high-quality materials and environmentally friendly manufacturing processes and supply chain practices may increase our cost of revenue and hinder our revenue growth.

We are dedicated to prioritizing sustainable materials, which meet our quality standards, an environmentally friendly supply chain, and manufacturing processes that collectively limit our carbon footprint. As our business evolves, it may be increasingly challenging to cost-effectively secure enough sustainably sourced high-quality materials to support our growth and achieve our sustainability goals while also achieving and maintaining profitability. In addition, our ability to expand into new product categories depends in part on our ability to identify new sustainable materials that are suitable for our products. Our inability to source materials that meet our sustainability requirements and quality standards in sufficient volumes could result in slower growth, increased costs, and/or lower net profits. Additionally, as our business evolves, we may not be able to identify suppliers, manufacturers, and distributors with business practices that reflect our commitment to sustainability, which may harm our ability to expand our supply chain to meet the expected growth of our business. If any of these factors prevent us from meeting our sustainability goals or increase the carbon footprint of any of our products, then it could have an adverse effect on our brand, reputation, results of operations, and financial condition.

Climate change and increased focus by governments, organizations, customers, and investors on sustainability issues, including those related to climate change and socially responsible activities, may adversely affect our reputation, business, and financial results.

Climate change occurring around the world may impact our business in numerous ways. Such changes could lead to an increase in prices of raw materials, commodities, and/or packaging, as well as reduced availability of key manufacturing components. Increased frequency of extreme weather, such as storms, hurricanes, and floods, could cause increased disruption to the production and distribution of our products and have an adverse impact on consumer demand and spending.

Investor advocacy groups, certain institutional investors, investment funds, other market participants, stockholders, and stakeholders have focused increasingly on the environmental, social, and governance, or ESG, and related sustainability practices of companies. These parties have placed increased importance on the implications of the social cost of their investments. In addition to our status as a PBC and certified B Corporation, or B Corp, we are focused on being an ESG leader in our industry. If our ESG practices do not meet investor or other stakeholder expectations and standards (which are continually evolving and may emphasize different priorities than the ones we choose to focus on), or if our ESG practices, including our periodic reporting, change or otherwise do not live up to our own values or ESG- and sustainability-related goals, then our brand, reputation, and employee retention may be negatively impacted. It is possible that stakeholders may not be satisfied with our ESG practices or the speed of their adoption. We could also incur additional costs and require additional resources to monitor, report, and comply with various ESG practices and regulations and to achieve our sustainability goals. Also, our failure, or perceived failure, to manage reputational threats and meet expectations with respect to socially responsible activities and sustainability commitments could negatively impact our brand credibility, employee retention, and the willingness of our customers and suppliers to do business with us.

If we are unable to anticipate product trends and consumer preferences and successfully develop and introduce new products, we may not be able to maintain or increase our revenue and profits.

Our success depends on our ability to identify, originate, and define product trends within the footwear and apparel industry, as well as to anticipate, gauge, and react to changing consumer preferences in a timely manner. However, lead times for many of our products may make it more difficult for us to respond rapidly to new or changing product trends or consumer preferences. For example, our lead times may be longer due to our preference for ocean shipping and other more sustainable supply chain practices to reduce carbon emissions, which may take longer and be more expensive than less sustainable alternatives. If we are unable to introduce new products in a timely manner, or our new products are not accepted by consumers, our competitors may introduce similar products in a more timely fashion, which could hurt our goal to be viewed as a leader in comfortable and sustainable footwear and apparel. All of our products are subject to changing consumer preferences regarding footwear and apparel, generally, and sustainable footwear and apparel, specifically, that cannot be predicted with certainty. Our new products may not receive consumer acceptance as consumer preferences could shift rapidly to different types of styles and our future success depends in part on our ability to anticipate and respond to these changes. For example, during the COVID-19 pandemic, there was a shift of consumer preferences to more casual and informal apparel and footwear as greater numbers of consumers have shifted to working remotely from home. In addition, our experience in anticipating consumer preferences in one category, such as footwear, may not help us predict or anticipate consumer preferences in other new categories, such as apparel. For example, we did not successfully anticipate customer demand and preferences in designing and launching certain of our first-generation apparel products. As a result, demand for such products failed to meet our expectations and, in the second quarter of 2022, we determined that we needed to adjust our overall apparel strategy and discontinue the product line. As such, we recognized a non-cash inventory write-down in our consolidated statements of operations and comprehensive loss, primarily related to these certain first-generation apparel products. If we fail to anticipate accurately and respond to trends and shifts in consumer preferences, we could experience lower sales, excess inventories, or lower profit margins, any of which could have an adverse effect on our results of operations and financial condition.

We utilize a range of marketing, advertising, and other initiatives to increase existing customers' spend and to acquire new customers; if the costs of advertising or marketing increase, or if our initiatives fail to achieve their desired impact, we may be unable to grow the business profitably.

We create differentiated brand marketing content and utilize performance marketing to drive customers from awareness to consideration to conversion, and promoting awareness of our brand and products is important to our ability to grow our business, drive customer engagement, and attract new customers. Our marketing strategy includes brand marketing campaigns across platforms, including email, digital, display, site, direct-mail, streaming audio, television, and social media, as well as performance marketing efforts, including retargeting, paid search and product listing advertisements, paid social media advertisements, search engine optimization, personalized emails, and mobile push notifications through our app. In addition, our marketing strategy is global in scale, reaching consumers in the more than 35 countries where we sell our products.

We seek to engage with our customers and build awareness of our brands through sponsoring unique events and experiences. If our marketing efforts and messaging are not appropriately tailored to and accepted by our target customers, we may fail to attract customers, and our brand and reputation may be harmed. In addition, our marketing initiatives may become increasingly expensive as competition increases, and generating a meaningful return on those initiatives may be difficult. Our future growth and profitability and the success of our brand will depend in part upon the effectiveness and efficiency of our marketing efforts.

We receive a significant number of visits to our digital platform via social media or other channels used by our existing and prospective customers. As eCommerce and social media continue to rapidly evolve, we must continue to establish relationships with these channels and may be unable to develop or maintain these relationships on acceptable economic and other terms. In addition, we currently receive a significant number of visits to our website and mobile app via search engine results. Search engines frequently change the algorithms that determine the ranking and display of results of a user's search, which could reduce the number of visits to our website, in turn reducing new customer acquisition and adversely affecting our results of operations. If we are unable to cost-effectively drive traffic to our digital platform, our ability to acquire new customers and our financial condition would suffer. Email marketing efforts are also important to our marketing efforts. If we are unable to successfully deliver emails to our customers or if customers do not engage with our emails, whether out of choice, because those emails are marked as low priority or spam, or for other reasons, our business could be adversely affected. Our marketing initiatives have become increasingly expensive and may continue to increase in cost, and generating a meaningful return on those initiatives may be difficult or unpredictable. Even if we successfully increase net revenue as a result of our marketing efforts, it may not offset the additional marketing expenses we incur.

If our marketing efforts are not successful in promoting awareness of our products, driving customer engagement, or attracting new customers, or if we are not able to cost-effectively manage our marketing expenses, our results of operations could be adversely affected.

Our business is subject to the risk of manufacturer concentration.

We depend significantly on a very limited number of third-party contract manufacturers for the sourcing of the vast majority of our products. For example, during 2023, we transitioned all new footwear manufacturing to one footwear manufacturer in Vietnam. As a result of this concentration in our supply chain, our business and operations would be negatively affected if our footwear manufacturer in Vietnam or any of our other key manufacturers were to experience a significant disruption affecting the price, quality, availability, or timely delivery of products. The partial or complete loss of these key manufacturers, or a significant adverse change in our relationship with any of these manufacturers, could result in lost sales, added costs, and distribution delays that could harm our business, reputation and customer relationships. In addition, as a result of our commitments to sustainability, including our use of specific materials and manufacturing processes and the sustainability and ESG-related requirements we impose on our contract manufacturers, there are generally fewer manufacturers who could potentially satisfy our requirements without substantial lead time or without requiring us to incur much higher costs, so we may be unable to replace a key manufacturer without substantial time and expense.

We have a significant amount of long-lived assets, which are assessed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. In addition, we may never realize the full value of our long-lived assets, causing us to record material impairment charges.

Under generally accepted accounting principles in the United States, we assess our long-lived assets, principally property and equipment, operating lease right-of-use assets, and other long-lived assets, including identifiable intangible assets with definite lives, for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. For example, in 2023, we determined that triggering events, primarily related to our current period and history of operating cash flow losses required an impairment review of our long-lived assets. This resulted in us recording a non-cash impairment charge of $27.4 million related to long-lived assets associated with certain retail stores.

The footwear and apparel business is extremely capital-intensive. There is uncertainty in the projected undiscounted future cash flows used in our impairment review analysis, which requires the use of estimates and assumptions. Our projections are estimates, which could vary significantly from actual results if future economic conditions, consumer demand and competitive environments differ from our expectations and there can be no assurance that a material impairment charge of long-lived assets will be avoided. Such impairment charges could have a material adverse effect on our business, results of operations and financial condition.

Failure to accurately forecast consumer demand could lead to excess inventories or inventory shortages, which could result in decreased operating margins, reduced cash flows, and harm to our business.

To meet anticipated demand for our products, we must forecast inventory needs and place orders with our manufacturers based on our estimates of future demand for particular products. Our ability to accurately forecast demand for our products could be affected by many factors, including an increase or decrease in customer demand for our products or for products of our competitors, changing consumer preferences, changing product trends, our failure to accurately forecast consumer acceptance of new products, product introductions by competitors, unanticipated changes in general market conditions, store closures, declines in overall consumer spending, and weakening of economic conditions or consumer confidence in future economic conditions. If we fail to accurately forecast consumer demand, we may experience excess inventory levels or a shortage of products available for sale in our stores or for delivery to customers.

Inventory levels in excess of customer demand may result in inventory write-offs, donations by us of our unsold products, inventory write-downs, and/or the sale of excess inventory at discounted prices, any of which could cause our gross margin to suffer, impair the strength and exclusivity of our brand, and have an adverse effect on our results of operations, financial condition, and cash flows. For example, we have in the past sold certain of our products at discounted prices through various channels including our website and retail stores, including outlets, third-party discounters, and donated excess products to third parties.

Conversely, if we underestimate consumer demand for our products and fail to place sufficient orders with our manufacturers in advance, then our manufacturers may not be able to deliver products to meet our requirements and we may experience inventory shortages. Inventory shortages in our stores or third-party distribution centers could result in delayed shipments to customers, lost sales, a negative customer experience, lower brand loyalty, and damage to our reputation and customer relationships, any of which could have an adverse effect on our results of operations, financial condition, and cash flows.

As a company that operates retail stores, we are subject to various risks, including commercial real estate and labor and employment risks.

As of December 31, 2023, we operated 60 retail store locations across seven countries. We lease our stores under operating leases. We expect to continue to evaluate the total number of stores we operate over the next few years, domestically and internationally, and have and may continue to optimize the total number of retail stores we operate by, for example, entering into arrangements with distributors and closing existing stores.

When we open new retail stores, our ability to effectively obtain real estate to open new retail stores, both domestically and internationally, depends on the availability of real estate that meets our criteria for traffic, square footage, co-tenancies, lease economics, demographics, and other factors. We also must be able to effectively renew our existing real estate leases. In addition, from time to time, we have sought to and may again seek to downsize, consolidate, reposition, or close some of our retail stores, which may require modification of various contracts, including an existing lease. We generally cannot cancel these leases at our option. Similarly, if an existing or new store is not profitable, and we decide to close it, we may nonetheless be committed to perform our obligations under the applicable lease including, among other things, paying the base rent for the balance of the lease term. We may also be committed to perform our obligations under the applicable leases even if current locations of our stores become unattractive as demographic patterns change. Failure to secure adequate new locations or successfully modify leases for existing locations, or failure to effectively manage the profitability of our existing fleet of retail stores or efficiently manage any retail store closure process, could have an adverse effect on our results of operations and financial condition.

Additionally, the economic environment may make it difficult to determine the fair market rent of real estate properties domestically and internationally. This could impact the quality of our decisions to exercise lease options at previously negotiated rents and to renew expiring leases at negotiated rents. Any adverse effect on the quality of these decisions could impact our ability to retain real estate locations adequate to meet our targets or efficiently manage the profitability of our existing fleet of stores, which could have an adverse effect on our results of operations and financial condition.

As of December 31, 2023, we had more than 700 employees in our retail store operations. As a result, we are subject to costs and risks related to compliance with domestic and international labor and employment laws and regulations, which could cause our business, financial condition, results of operations, or cash flows to suffer. From time to time, we have had to and may again need to downsize, consolidate, reposition, or close some of our retail store locations, which may result in additional employee-related costs.

We have significant exposure to changes in domestic and international laws governing our relationships with our workforce, including wage and hour laws and regulations, fair labor standards, minimum wage requirements, overtime pay, unemployment tax rates, union protections, workers' compensation rates, pension contributions, citizenship requirements, and payroll taxes, which could have a direct impact on our operating costs. These laws change frequently, exist at multiple levels with respect to a single physical location (e.g., federal, state, and local) and may be difficult to interpret and apply. For example, we may incur employee-related costs to comply with relevant laws associated with a transition from a direct model to a distributor model for certain markets.

A significant increase in minimum wage or overtime rates in countries where we have employees could have a significant impact on our operating costs and may require that we take steps to mitigate such increases, all of which may cause us to incur additional costs. There is also a risk of potential claims related to discrimination and harassment, health and safety, wage and hour laws, criminal activity, personal injury, and other claims. In addition, if a large portion of our workforce were to become members of labor organizations or parties to collective bargaining agreements, we could be vulnerable to a strike, work stoppage, or other labor action, which could have an adverse effect on our business. Our business operations and financial performance could be adversely affected by changes in our relationship with our workforce or changes to U.S. or foreign labor and employment laws and regulations.

We may be unable to successfully open new store locations in existing or new geographies in a timely manner, if at all, which could harm our results of operations.

Our ability to successfully open and operate new stores depends on many factors, including, among others, our ability to:

- identify suitable store locations, the availability of which is outside of our control and may require expensive and long-term lease obligations;
- gain brand recognition and acceptance, particularly in geographies or regions that are new to us;
- negotiate acceptable lease terms;
- hire, train, and retain store personnel and field management who possess the required customer service and other skills and who share our commitment to sustainability;
- invest sufficient capital in store build-out and opening;
- immerse new store personnel and field management into our corporate culture and shared values;
- source sufficient inventory levels; and
- successfully integrate new stores into our existing operations and information technology systems.

We may be unsuccessful in identifying new markets where our sustainable footwear and apparel products and brand image will be accepted. In addition, we may not be able to open or profitably operate new stores in existing, adjacent, or new locations due to market saturation and/or other macro conditions (e.g., high inflation costs).

Our growth strategy involves expansion of our retail partnerships, which presents risks and challenges to our business.

In 2022, we began entering into broad-based agreements with third-party retailers, and we have limited operating experience executing this channel distribution strategy at scale. In addition, one of the initiatives under our strategic transformation plan announced in March 2023 is to reduce the pace of new retail store openings and leverage our agreements with third-party retailers to increase brand awareness and reach new customers. This strategy has required, and will continue to require, investment in cross-functional operations and management focus, along with investment in logistics, channel management, supporting technologies, and headcount.

If our third-party retail partners discontinue or decelerate our partnership or otherwise do not satisfy their obligations to us, if we are unable to meet our retail partners' expectations and demands, or if we decide to enter into additional partnerships and are unable to identify suitable retail partners or reach agreements with them, we may fail to meet our business objectives with respect to our partnership strategy. In addition, the terms of any additional retail partnerships that we establish may not be favorable to us. Our inability to successfully implement retail partnerships may lead consumers to negatively perceive our brand and adversely affect our business, financial condition, and results of operations. Also, in most cases, our agreements with such third-party retailers allow for significant variability in the amount of product purchased from us, and there are risks that eventual order volumes may be lower than initially projected. Third-party retailers may take actions that affect us for reasons that we cannot anticipate or control, such as their financial condition or changes in their business strategy or operations. There can be no assurance that we will be able to continue our relationships with our retail partners on the same or more favorable terms in future periods or that these relationships will continue beyond the terms of our existing contracts with our retail partners.

Further, our retail partners may reduce their number of stores or operations or consolidate, undergo restructurings or reorganizations, realign their affiliations, or promote products of our competitors over ours or liquidate. These events may result in a decrease in the number of stores or eCommerce platforms that carry our products or cause us to lose customers, decreasing our revenues and earnings growth.

Our business depends on our ability to maintain a strong community of engaged customers, including through the use of social media. We may be unable to maintain and enhance our brand if we experience negative publicity related to our marketing efforts or use of social media, or otherwise fail to meet our customers' expectations.

Maintaining and increasing our brand appeal is critical to attracting and expanding our relationships with new and existing customers. We use third-party social media platforms to raise awareness of our brand and engage with our community. As existing social media platforms evolve and new platforms develop, we must continue to maintain a presence on these platforms and establish a presence on emerging popular social media platforms. If we are unable to cost-effectively use social media platforms as marketing tools, our ability to acquire new customers and our financial condition may suffer. Furthermore, as laws and regulations governing the use of these platforms evolve, any failure by us, or third parties acting at our direction to abide by applicable laws and regulations in the use of these platforms could subject us to regulatory investigations, class action lawsuits, liability, fines, or other penalties and adversely affect our business, financial condition, and results of operations. In addition, an increase in the use of social media for product promotion and marketing may cause an increase in the burden on us to monitor compliance of such content and increase the risk that such content could contain problematic product or marketing claims in violation of applicable regulations.

Negative commentary regarding us, our products, and other third parties who are affiliated with us, whether accurate or not, may be posted on social media platforms at any time and may adversely affect our reputation, brand, and business. The harm may be immediate, without affording us an opportunity for redress or correction, and could have an adverse effect on our business, financial condition, and results of operations.

In addition, customer complaints or negative publicity related to our website, mobile app, products, product delivery times, customer data handling, marketing efforts, security practices, customer support, especially on blogs and social media websites or customer responses to the actions of our vendors or distributors, could diminish customer loyalty and community engagement and harm our brand and business.

If we grow at a rapid pace, we may be unable to effectively manage our growth and the increased complexity of our business and, as a result, our brand, business, and financial performance may suffer.

We have expanded our operations rapidly since our inception in 2015, and our full year net revenue has increased from $126.0 million in 2018 to $254.1 million in 2023. If our operations grow at a rapid pace, we may experience difficulties in obtaining sufficient raw materials and manufacturing capacity to produce our products, as well as delays in production and shipments, as our products are subject to risks associated with overseas sourcing and manufacturing. We could be required to continue to expand our sales and marketing, product development, and distribution functions, invest in opening and operating a greater number of retail stores in our existing jurisdictions and/or in new jurisdictions, or invest in distribution partners' operations in lieu of or in addition to retail stores operated by us, upgrade our management information systems and other processes and technology, and obtain more space for our expanding workforce. This expansion could increase the strain on our resources, expose us to legal and compliance risk across new jurisdictions, and cause us to experience operating difficulties, including difficulties in hiring, training, and managing an increasing number of employees, especially to the extent the growth in our "flock" exposes us to a greater number of jurisdictions' employment, health, and safety and other regulatory and compliance requirements. Any of these or other difficulties in effectively managing our growth and the increased complexity of our business could result in the erosion of our brand image which could have a material adverse effect on our financial condition.

Our financial results may be adversely affected if substantial investments in businesses and operations, including in our retail stores, fail to produce expected returns.

From time to time, we may invest in technology, business infrastructure, new businesses, product offering, and manufacturing innovation and expansion of existing businesses. We expect to continue to evaluate the number and geographic reach of our retail stores in the short- and mid-term and invest in a strategic manner, including in connection with our strategic transformation plan to slow the pace of store openings in the U.S. and transition our international go-to-market strategy to a distributor model. We believe cost-effective investments are essential to business growth and profitability; however, significant investments are subject to typical risks and uncertainties inherent in developing a new business or expanding an existing business. The failure of any significant investment to provide expected returns or profitability could have a material adverse effect on our financial results and divert management attention from more profitable business operations.

We are subject to risks related to our ESG activities and disclosures, and our reputation and brand could be harmed if we fail to meet our public sustainability targets and goals.

In 2020, we began making our carbon footprint calculations available for our products. In 2021, we announced a highly ambitious sustainability strategy in service of our aim to help to reverse climate change through better business. Our sustainability strategy has three strategic priorities: (1) Regenerative Agriculture, (2) Renewable Materials, and (3) Responsible Energy. These priorities are underpinned by 10 targets, which we intend to achieve by the end of 2025, or the 2025 Targets. In addition, we have announced a goal to reduce our per-unit carbon emissions to less than 1 kg of carbon dioxide equivalent emissions by 2030, or the 2030 Goal. We are aligning our ESG disclosures with the Sustainability Accounting Standards Board and Task Force on Climate-Related Financial Disclosure frameworks, and we anticipate continuing to make ESG disclosures.

While our sustainability strategy and practices and the level of transparency with which we are approaching them are foundational to our business, they expose us to several risks, including:

- that we may fail or be unable to fully achieve one or more of the 2025 Targets or the 2030 Goal due to a range of factors within or beyond our control (including a failure for governments and other third parties to make the investments that are required to make infrastructure improvements, such as greater availability of cleaner energy grids), or that we may adjust or modify our stated goals in light of new information, adjusted projections, or a change in business strategy, any of which could negatively impact our brand, reputation, and business;
- that achieving the 2025 Targets and/or 2030 Goal may require us to expend significant resources, which could divert the attention of our senior management and key personnel, delay the time by which we can achieve profitability, harm us competitively, or otherwise limit our ability to make investments in our growth;
- that our disclosures related to ESG may result in heightened scrutiny from stakeholders or other third parties of our ESG performance, activities, and decisions;
- that a failure to or perception of a failure to disclose metrics and set goals that are rigorous enough or in an acceptable format, a failure to appropriately manage selection of goals, a failure to or perception of a failure to make appropriate disclosures, stakeholder perception of a failure to prioritize the "correct" ESG goals, or an unfavorable ESG-related rating by a third party could negatively impact our brand, reputation, and business;
- that certain metrics we utilize receive limited or no assurance from and/or verification by third parties, may involve a less rigorous review process than assurance sought in connection with more traditional audits, such a review process may not identify errors and may not protect us from potential liability under the securities laws, and, if we were to seek more extensive assurance or attestation with respect to such ESG metrics, we may be unable to obtain such assurance or attestation or may face increased costs related to obtaining and/or maintaining such assurance or attestation;
- that the third-party data used in our carbon footprint calculations are determined to be wrong or become unavailable to us for whatever reason, which would require us to find a new source of quality third-party data or develop our own, either of which could require significant resources, a temporary suspension of sharing a carbon footprint for each product, or an adjustment to carbon footprint numbers because of variations in the underlying

data, and if our stakeholders react unfavorably to any such situation or we fail to adequately manage any transition, it could negatively impact our brand, reputation, and business;

- that the ESG or sustainability standards, norms, or metrics, which are constantly evolving, change in a manner that impacts us negatively or requires us to change the content or manner of our disclosures, and our stakeholders or third parties view such change(s) negatively, we are unable to adequately explain such changes, or we are required to expend significant resources to update our disclosures, any of which could negatively impact our brand, reputation, and business;
- that our brand reputation, and business, could be negatively impacted if we are perceived, alleged or found to be in violation of, or non-compliant with, newly adopted or constantly evolving ESG- and sustainability-related laws and disclosure requirements that are applicable to us; and
- that our brand, reputation, and business could be negatively impacted if any of our disclosures, including our carbon footprint numbers, reporting to third-party ESG standards, or reporting against our 2025 Targets, 2030 Goal, or other goals, are inaccurate, perceived to be inaccurate, or alleged to be inaccurate.

We are subject to risks related to our commitment to certain ESG criteria, which we call the Sustainability Principles and Objectives Framework, or the SPO Framework.

The SPO Framework, which consists of ESG criteria that we have satisfied or that we intend to satisfy, was originally described more fully in the section titled "The Sustainability Principles and Objectives Framework" in our final prospectus filed with the SEC on November 4, 2021 pursuant to Rule 424(b)(4). This is a new and untested framework, which was not developed solely by disinterested third parties but was developed with input from Allbirds and other partners. There is no basis for investors to, or track record by which investors can, assess the impact of the SPO Framework on our operations, financial condition, and the market price of our Class A common stock. Our adherence to the SPO Framework may result in additional costs to us in operating our business, including, for example, costs of the third-party ESG assessment, costs related to meeting the carbon emissions reduction target, etc. We may not meet all of the SPO Framework (or any part thereof) in the future. We may also change the frequency and manner of reporting our progress against the SPO Framework. Further, any or all elements of the SPO Framework may be considered insufficient and/or unsatisfactory and/or the credibility of the SPO Framework may be disregarded entirely. Because we committed publicly to the SPO Framework, if we fail to make meaningful progress on ESG practices and matters or to continue to report transparently across ESG practices and matters relating to the SPO Framework, our reputation could be harmed. We could also damage our reputation and the value of our brand if we fail to act responsibly in the areas in which we report or fail to demonstrate that our commitment to ESG principles enhances our overall financial performance. Any harm to our reputation resulting from our failure or perceived failure to meet the SPO Framework could also impact employee engagement and retention, the willingness of our supplier or manufacturers to do business with us, or investors' willingness to purchase or hold shares of our common stock, any of which could have a material and adverse effect on our business, results of operations, and financial condition.

Our future success is substantially dependent on highly skilled personnel and if we are unable to attract and retain talent, we may not be able to grow effectively..

Our growth and future success largely depends on the continued services of our senior management and key employees. Our executive management team and key employees are employed on an at-will basis, which means that they may resign or could be terminated for any reason at any time. We currently do not have "key person" insurance on any of our employees. The loss of key personnel, including members of management, supply chain, innovation and sustainability, product development, marketing, and sales personnel, could disrupt our operations and seriously harm our business.

To successfully grow and operate our business and execute our strategic plans, we must attract and retain highly qualified personnel. Competition for executives and highly skilled personnel is often intense, especially in Northern California, where our headquarters is located. As we become a more mature company, we may find our recruiting efforts more challenging. Many of the companies with which we compete for experienced personnel have greater resources than we have, and some of these companies may offer more attractive compensation packages. The incentives to attract, retain, and motivate employees provided by our equity awards (especially in light of the relatively low trading price of our Class A common stock in recent quarters) or by future arrangements, such as through cash bonuses, may not be as effective as our past incentives or as the current incentives offered by our competitors. If the perceived value of our equity awards declines further, or if the mix of equity and cash compensation that we offer is unattractive, it may adversely affect our ability to recruit and retain employees. We may not be successful in attracting, integrating, or retaining qualified personnel to fulfill our current or future needs. We may experience difficulty in hiring and retaining highly skilled employees with appropriate qualifications. Our recruiting efforts may also be limited or delayed by laws and regulations, such as restrictive immigration laws, and restrictions on travel or availability of visas. For example, as we expand into new geographies, including hiring of remote employees, we must navigate the recruiting and employment-related aspects of local rules and requirements in each such jurisdiction as part of our hiring plans. Similarly, our rate of employee attrition could be impacted by the pace and recovery of businesses and the job market following the COVID-19 pandemic, the general health of the economy, the rate of unemployment, the perceived or actual mobility of our highly skilled employees who may be recruited away by our competitors, or our existing employees' preferences with respect to remote or "hybrid" working arrangements, which preferences may diverge from the nature and conditions of the roles we believe are most appropriate for our business. If our employee attrition is higher than expected, we may find it difficult to fill our hiring needs without substantial expense. Failure to manage our employee base and hiring needs effectively, including successfully recruiting and integrating our new hires, or to retain and motivate our current personnel may adversely affect our business, financial condition, and results of operations.

If we cannot maintain our culture and values as we grow, our business could be harmed.

We believe that a critical component of our success has been our corporate culture and values. We have invested substantial time and resources in building our culture, which is rooted in innovation, teamwork, and achieving profit with purpose. Relatedly, we believe that our status as a PBC, our commitment to environmental conservation and sustainability, and our certified B Corp status, all of which are foundational aspects of our culture and values, distinguish us from our competitors and promote a relationship among our customers, partners, and employees founded on trust.

However, as we continue to grow, including geographically expanding our presence outside of our headquarters in San Francisco, California, and developing the infrastructure associated with being a public company, we face a number of challenges that may affect our ability to sustain our corporate culture and shared values, including:

- a need to identify, attract, reward, and retain people in key leadership positions in our organization who share and further our culture, values, mission, and public benefit objective;
- the increasing size and geographic diversity of our workforce, which may limit our ability to promote a uniform and consistent culture and set of shared values across all of our offices and employees globally;
- the wider array of alternative working arrangements we now permit or may in the future permit, including part-time or flexible roles, fully remote roles, or "hybrid" roles (where a mix of in-person and remote work is permitted);
- the costs of our employee health and well-being initiatives and other ESG investments, which are required to maintain our corporate culture and live up to our values, but which may be more expensive than those of our competitors;
- the loss of our certified B Corp status;
- competitive pressures that may divert us from our mission, vision, and values, and may cause us to take actions that are contrary to, or that our workforce views as contrary to, our culture or values;
- our rapidly evolving industry; and
- the increasing need to develop expertise in new areas of business that affect us.

Any failure to preserve our corporate culture (or localize it authentically) or any failure to live up to our values as a company, particularly those related to environmental conservation and sustainability, could negatively affect our brand and reputation, harm our business, and limit our future success, including our ability to retain and recruit personnel and to effectively focus on and pursue our corporate objectives.

Merchandise returns could harm our business.

We generally allow customers to return products under a return policy that we believe is more generous than the industry standard. For example, for footwear, unless otherwise stated such as for final sale items, we generally accept merchandise returns for full refund or exchange if returned within 30 days of the original purchase date. Our revenue is reported net of returns, discounts, and any taxes collected from customers and remitted to government authorities. We estimate an allowance for expected product returns based on historical return trends. Revenue is presented net of the sales return allowance, and the expected inventory right of recovery is presented as a reduction of cost of revenue. The introduction of new products, changes in customer confidence or shopping habits or other competitive and general economic conditions could cause actual returns to exceed our estimates. If actual return costs differ from previous estimates, the amount of the liability and corresponding revenue are adjusted in the period in which such costs occur. In addition, from time to time, our products may be damaged in transit, which can also increase return rates. Returned goods may also be damaged in transit as part of the return process which can impede our ability to resell the returned goods. From time to time, customers have abused our return policy by, for example, not appropriately returning shoes or returning shoes that have been worn repeatedly for all or most of the 30-day return window and cannot be resold. Competitive pressures could cause us to alter our return policies or our shipping policies, which could result in an increase in damaged products and an increase in product returns. If the rate of product returns increases significantly or if product return economics become less efficient, our business, financial condition, and results of operations could be harmed.

Counterfeit or "knock-off" products, as well as products that are "inspired-by-Allbirds," may siphon off demand we have created for sustainable footwear and apparel, and may result in customer confusion, harm to our brand, a loss of our market share, and/or a decrease in our results of operations.

We face competition from counterfeit or "knock-off" products manufactured and sold by third parties in violation of our intellectual property rights, as well as from products that are inspired by our footwear in terms of sustainability, design, and style, including private label offerings by digital retailers. In the past, third parties have established websites to target users on Facebook or other social media platforms with "look alike" websites intended to trick users into believing that they were purchasing Allbirds shoes at a steep discount. Some individuals who actually made purchases from such "look alike" websites believed they had purchased from our actual website and subsequently submitted complaints to us.

These activities of third parties may result in customer confusion, require us to incur additional administrative costs to manage customer complaints related to counterfeit goods, divert customers from us, cause us to miss out on sales opportunities, and result in a loss of our market share. We could also be required to increase our marketing and advertising spend. If consumers are confused by these other products and believe them to be actual Allbirds, we could be forced to deal with dissatisfied customers who mistakenly blame us for poor service or poor-quality goods.

In addressing these or similar issues in the future, we may also be required to incur substantial expense to protect our brand and enforce our intellectual property rights, including through legal action in the United States or in foreign countries, which could negatively impact our results of operations and financial condition.

These and similar "counterfeit" or "inspired-by-Allbirds" issues could reoccur and could again result in customer confusion, harm to our brand, a loss of our market share, and/or a decrease in our results of operations.

Certain of our key operating metrics are subject to inherent challenges in measurement, and any real or perceived inaccuracies in such metrics or the underlying data may cause a loss of investor confidence in such metrics, and the market price of our Class A common stock may decline.

We track certain key operating metrics using internal and/or external data analytics tools, which have certain limitations, including, but not limited to, imperfect data collection (e.g., lack of emails and/or other identifiers for certain customers who purchase via our retail channels and do not supply such information). In addition, we rely on data received from third parties, including third-party platforms, to track certain performance indicators, and we may be limited in our ability to verify such data. In addition, our methodologies for tracking metrics may change over time, which could result in changes to the metrics we report. If we undercount or overcount performance due to the internal data analytics tools we use or issues with the data received from third parties, if our internal data analytics tools contain algorithmic or other technical errors, or if changes in access to third party data or external reporting standards require modifications to how we calculate certain operating metrics, the data we report may not be accurate or comparable with prior periods. In addition, limitations, changes, or errors with respect to how we measure data may affect our understanding of certain details of our business, which could affect our longer-term strategies. If our performance metrics are not, or are not perceived to be, accurate representations of our business, if we discover material inaccuracies in our metrics or the data on which such metrics are based, or if we can no longer calculate any of our key performance metrics with a sufficient degree of accuracy, investors could lose confidence in the accuracy and completeness of such metrics, which could cause the price of our Class A common stock to decline.

Our business is affected by seasonality.

Our business is subject to the general seasonal trends common to the retail footwear and apparel industry. As a result, historically, we have typically generated a higher proportion of net revenue, and incurred higher selling and marketing expenses, during the holiday season in the fourth quarter of the year compared to other quarters, and we expect these trends to continue. This seasonality may adversely affect our business and cause our results of operations to fluctuate.

Risks Related to Our Supply Chain

Our reliance on suppliers and manufacturers to provide materials for and to produce our products could cause problems in our supply chain.

We do not manufacture our products or the raw materials for them and rely instead on suppliers. Many of the materials used in our products are developed and manufactured by third parties and may be available, in the short-term, from only one or a very limited number of sources, some of whom may be impacted by external factors. Our contracts with some suppliers and manufacturers may not adequately meet our production requirements, and we compete with other companies for raw materials and production.

We have experienced, and may in the future experience, a significant disruption in the supply of raw materials from current sources and we may be unable to locate alternative materials suppliers of comparable quality at an acceptable price in time, or at all. In addition, if we experience significant increased demand, or if we need to replace an existing supplier or manufacturer, we may be unable to locate additional supplies of raw materials or additional manufacturing capacity on terms that are acceptable to us, or at all, or we may be unable to locate any supplier or manufacturer with sufficient capacity to meet our requirements or to fill our orders in a timely manner. These issues and risks are increased as a result of our commitments to sustainability, including our use of specific materials and manufacturing processes and the sustainability and ESG-related requirements we impose on our suppliers, which generally limit the number of suppliers who could potentially satisfy our requirements. Identifying a suitable supplier is an involved process that requires us to become satisfied with its quality control, responsiveness and service, financial stability, environmental impact, and labor and other ethical practices. Even if we are able to expand existing or find new manufacturing or materials sources, we may encounter delays in production and added costs as a result of the time it takes to train our suppliers and manufacturers in our methods, products, and quality control standards. Delays related to supplier changes could also arise due to an increase in shipping times if new suppliers are located farther away from our markets or from other participants in our supply chain or if an alternative shipping and transportation route is required, any of which could increase our overall environmental impact and which could also negatively impact our reputation and the carbon footprint scoring of our products. Any delays, interruption, or increased costs in the supply of materials or manufacture of our products could have an adverse effect on our ability to meet customer demand for our products and result in lower net revenue and income from operations both in the short and long term.

Failure of our contractors or our licensees' contractors to comply with our supplier code of conduct, contractual obligations, local laws, and other standards could harm our business.

We work with contractors, most of which are located outside of the United States, to manufacture our products. We require the contractors that directly manufacture our products as well as those that manufacture the materials used to manufacture our products to comply with our supplier code of conduct and other social, environmental, health, and safety standards. We also require these contractors to comply with applicable standards for product safety. Notwithstanding their contractual obligations to comply with our policies and applicable laws and standards, from time to time, contractors may not comply with such standards or applicable local law or may fail to enforce such standards or applicable local law on their contractors. Significant or continuing noncompliance with such standards and laws by one or more contractors could harm our reputation or result in a product recall and, as a result, could have an adverse effect on our sales and financial condition. Similarly, agreements that we enter into with these contractors generally do not require blanket exclusivity with us; as a result, some contractors may be permitted to work with parties who could be deemed competitive, which could harm our business.

In addition, failure of one or more contractors to comply with applicable laws and regulations and contractual obligations could lead to litigation against us or require us to initiate litigation to enforce our contracts, resulting in increased legal expenses and costs. Furthermore, the failure of any such contractors to provide safe and humane factory conditions and oversight at their facilities could damage our reputation with customers or result in legal claims against us. Furthermore, any such noncompliance by our contractors, product recalls, or negative publicity regarding production methods, alleged practices, or workplace or related conditions of any of our suppliers, manufacturers, or licensees could adversely affect our brand image, result in lost sales, require us to divert resources to address and remediate these issues, expose us to legal claims, and force us to locate alternative suppliers, manufacturers or licensees, any of which could have an adverse effect on our business, financial condition, and results of operations. Any of these issues with our contractors could have a greater negative impact on us, due to the importance of ESG and sustainability practices to our brand and business.

Failure of our suppliers or manufacturers to consistently provide high-quality materials and products could adversely affect our brand and reputation and cause our business and results of operations to suffer.

Our success depends on our ability to provide our customers with the sustainable footwear and apparel they seek, which in turn depends on the quantity and quality of the finished products provided by our manufacturing partners, which depends on the quantity and quality of the raw materials they receive from our supply partners. We may be unable to provide customers with the high-quality sustainable footwear and apparel they seek if our supply chain partners do not consistently produce high-quality products for us to sell.

We believe that many of our new customers find us by word of mouth and other non-paid referrals from existing customers. If existing customers are dissatisfied with their product experience due to defects in the materials or manufacturing of our products or other quality related concerns, then they may stop buying our products and may stop referring others to us, and we could experience an increase in the rate of product returns. If we are unable to retain existing customers and attract new customers due to quality issues that we fail to identify and remedy, our growth prospects would be harmed and our business could be adversely affected. If product quality issues are widespread or result in product recalls, our brand and reputation could be harmed, we could incur substantial costs, and our results of operations and financial condition could be adversely affected.

The fluctuating cost of raw materials could increase our cost of revenue and cause our results of operations and financial condition to suffer.

The raw materials and commodities used by our suppliers and manufacturers include tree fiber, merino wool, sugarcane, castor bean oil, natural rubber, recycled plastic bottles, bio-based nylon, recycled polyester, bio-based TPU, and paper products. Our suppliers and manufacturers' costs for raw materials and commodities are affected by, among other things, weather, consumer demand, rising interest rates, inflation, speculation on the commodities market, the relative valuations and fluctuations of the currencies of producer versus consumer countries, and other factors that are generally unpredictable and beyond our control. In addition, if key suppliers, the footwear and apparel industry, or a group of countries adopt and enforce carbon pricing, then the price of raw materials and commodities could increase. Increases in the cost of raw materials have had and could continue to have a material adverse effect on our cost of revenue, results of operations, financial condition, and cash flows. As a result, this may have an impact on pricing of our products. It is uncertain if we will have to consider additional future price increases in our products as a result of increases in the cost of raw materials and supplies, partially due to the current inflationary environment. If we continue increasing the prices of our products, this may adversely impact demand for our products by our customers.

The operations of our suppliers, most of which are located outside of the United States, are subject to additional risks that are beyond our control and that could harm our business, financial condition, and results of operations.

Currently, most of our suppliers are located outside of the United States. As a result of our global suppliers, we are subject to risks associated with doing business abroad, including:

- political unrest, terrorism, geopolitical events, war and other violent conflicts, labor disputes, and economic instability resulting in the disruption of trade from foreign countries in which our products are manufactured, including, for example, Vietnam, China, and Peru;
- the imposition of new laws and regulations, including those relating to labor conditions, quality, and safety standards, imports, duties, taxes, and other charges on imports, as well as trade restrictions and restrictions on currency exchange or the transfer of funds, particularly new or increased tariffs imposed by the United States on imports from countries where our products are manufactured, including, for example, Vietnam, China, and Peru;
- greater challenges and increased costs with enforcing and periodically auditing or reviewing our suppliers and manufacturers' compliance with our supplier code of conduct, including their labor and sustainability practices, given that their facilities are located outside of the United States and, in many cases, far away from our offices and management;
- reduced protection for intellectual property rights, including trademark protection, in some countries, particularly China;
- disruptions in operations due to global, regional, or local public health crises (for example, the COVID-19 pandemic) or other emergencies or natural disasters;
- disruptions or delays in shipments; and
- changes in local economic conditions in countries where our manufacturers, suppliers, or customers are located.

These and other factors beyond our control, could interrupt our suppliers' production, influence the ability of our suppliers to export our products cost-effectively or at all, and inhibit our suppliers' ability to procure certain materials, any of which could harm our business, financial condition, and results of operations.

Shipping and delivery are critical parts of our business and any changes in, or disruptions to, our shipping and delivery arrangements could adversely affect our business, financial condition, and results of operations.

We rely on several ocean, air parcel, and "less than truckload" carriers to deliver the products we sell. If we are not able to negotiate acceptable pricing and other terms with these providers, or if these providers experience performance problems or other difficulties in processing our orders or delivering our products to customers, it could negatively impact our results of operations, financial condition, and our customers' experience. For example, changes to the terms of our shipping arrangements or the imposition of surcharges or surge pricing may adversely impact our margins and profitability. In addition, our ability to receive inbound inventory efficiently and ship merchandise to customers may be negatively affected by factors beyond our and these providers' control, including pandemic, weather, fire, flood, power loss, earthquakes, acts of war or terrorism, or other events specifically impacting other shipping partners, such as labor disputes, financial difficulties, system failures, and other disruptions to the operations of the shipping companies on which we rely. We have in the past experienced, and may in the future experience, shipping delays for reasons outside of our control. We are also subject to risks of damage or loss during delivery by our shipping vendors. If the products ordered by our customers are not delivered in a timely fashion, including to international customers, or are damaged or lost during the delivery process, our customers could become dissatisfied and cease buying products from us, which would adversely affect our business, financial condition, and results of operations.

If we do not successfully optimize, operate, and manage our global network of third-party owned and operated logistics and distribution centers, our business, financial condition, and results of operations could be harmed.

Our success depends on our global logistics and distribution network. Currently, we rely predominantly on a few third-party logistics providers to store our finished products in, and distribute our products to customers from, their distribution center locations in the United States, United Kingdom, the Netherlands, China, Japan, and New Zealand. Our ability to meet customer expectations, manage inventory, complete sales, and achieve objectives for operating efficiencies and growth, particularly in emerging markets, depends on the proper operation of these third parties' distribution facilities, the development or expansion of additional distribution capabilities, and the timely performance of services by third parties (including those involved in shipping product to and from our distribution facilities). If we continue to add third-party logistics providers, require them to expand their fulfillment, distribution, and warehouse capabilities, including adding additional locations in new countries, add products categories with different fulfillment requirements, or change the mix of products that we sell, our global logistics and distribution network will become increasingly complex and operating it will become more challenging for us and our third-party logistics providers. The expansion and growth of our logistics and distribution center network may put pressure on our managerial, financial, operational, and other resources. In addition, we may be required to expand our capacity sooner than we anticipate. If we are unable to secure new or expand existing third-party logistics providers to meet our future needs, our order fulfillment and shipping times may be delayed and our business, financial condition, and results of operations could be adversely affected. The third-party owned and operated logistics and distribution centers we rely on could be interrupted by issues beyond our control, including information technology problems, disasters such as earthquakes or fires, or outbreaks of disease or government actions taken to mitigate their spread. For example, during the COVID-19 pandemic, several logistics providers we rely on faced staffing shortages, which impacted their businesses and resulted in delayed shipping and delivery times. Any significant failure in our distribution facilities could result in an adverse effect on our business. We maintain business interruption insurance, but it may not adequately protect us from adverse effects caused by significant disruptions in our third-party logistics and distribution centers.

Risks Related to Intellectual Property, Information Technology, and Data Security and Privacy

Our failure or inability to protect or enforce our intellectual property rights could diminish the value of our brand and weaken our competitive position.

We currently rely on a combination of trademark, trade dress, copyright, patent, and unfair competition laws, as well as confidentiality procedures and licensing arrangements, to establish and protect our intellectual property rights. The steps we take to protect our intellectual property rights may not be adequate to prevent infringement of these rights by others. We regularly face the imitation of our products, the manufacture and distribution of "knock-off" and counterfeit products, and the misappropriation of our brand and product names. For instance, we have had to litigate against a third party misappropriating our WOOL RUNNERS trademark and have had to enforce against third parties manufacturing and selling products that violate our design patents.

In addition, intellectual property protection may be unavailable or limited in some foreign countries where laws or law enforcement practices may not protect our intellectual property rights as fully as in the United States, and it may be more difficult for us to successfully challenge the use of our intellectual property rights by other parties in these countries. For instance, some of our trademark or trade dress applications may not be approved by the applicable governmental authorities because they are determined to lack sufficient distinctiveness, and, even if approved, may be challenged by third parties for this same reason. If we fail to protect and maintain our intellectual property rights, the value of our brand could be diminished, and our competitive position may suffer.

Our trademarks and other proprietary rights could potentially conflict with the rights of others, and we may be prevented from selling some of our products.

Our success depends in large part on our brand image. We believe that our trademarks and other proprietary rights have significant value and are important to identifying and differentiating our products from those of our competitors and creating and sustaining demand for our products. We have applied for and obtained some U.S., E.U., and foreign trademark registrations, and will continue to evaluate the registration of additional trademarks as appropriate. However, some or all of these pending trademark applications may be refused due to prior conflicting trademarks or for other reasons. We also have and may continue to encounter "squatters" or bad actors that either apply to register or "squat" on previously acquired trademarks that are identical or related to our trademarks. In such scenarios, third parties hope to use their prior rights as leverage to extract a favorable monetary settlement or acquisition of their rights; in some instances, we are required to expend both financial and internal resources to address such filings.

Moreover, even if our applications are approved, third parties may seek to oppose, invalidate, or otherwise challenge these registrations for these same reasons, particularly as we expand our business and the number of products we offer. For example, currently, we are defending invalidation actions in China against a number of our granted registrations.

Our defense of any claim, regardless of its merit, could be expensive and time consuming and could divert management resources. Successful infringement claims against us could result in significant monetary liability or prevent us from selling some of our products. In addition, resolution of claims may require us to redesign our products, license rights from third parties, or cease using those rights altogether. Any of these events could harm our business and cause our results of operations, liquidity, and financial condition to suffer.

The inability to acquire, use, or maintain our marks and domain names for our websites could substantially harm our business, financial condition, and results of operations.

We currently are the registrant of marks for our products in numerous jurisdictions and are the registrant of the internet domain name for the website allbirds.com, as well as various related domain names. However, we have not registered our marks represented by our domain names in all international jurisdictions. Domain names generally are regulated by internet regulatory bodies and may not be generally protectable as trademarks in and of themselves. We have incurred, and as our business grows, may continue to incur material costs in connection with the registration, maintenance, and protection of our marks. If we do not have or cannot obtain on reasonable terms the ability to use our marks in a particular country, or to use or register our domain name, we could be forced either to incur significant additional expenses to market our products within that country, including the development of a new brand and the creation of new promotional materials and packaging, or to elect not to sell products in that country. Either result could adversely affect our business, financial condition, and results of operations.

Furthermore, the regulations governing domain names and laws protecting marks and similar proprietary rights could change in ways that block or interfere with our ability to use relevant domains or the Allbirds brand. Regulatory bodies also may establish additional generic or country-code top-level domains or may allow modifications of the requirements for registering, holding, or using domain names. As a result, we might not be able to register, use, or maintain the domain names that use the name Allbirds in all of the countries and territories in which we currently or intend to conduct business.

Additionally, we might not be able to prevent third parties from registering, using, or retaining domain names that interfere with our customer communications or infringe or otherwise decrease the value of our marks, domain names, and other proprietary rights. For example, we have in the past been the target of, and may in the future be the target of, fraudulent websites with similar domain names or content to us that attempt to divert our customer traffic and defraud our customers. Any inability to prevent these practices could adversely affect our brand and make it more difficult for users to find our website.

Any material disruption of our information technology systems or unexpected network interruption could disrupt our business and reduce our sales.

We are increasingly dependent on information technology networks and systems, our website, and various third parties to market and sell our products and to manage a variety of business processes and activities and to comply with regulatory, legal, and tax requirements. For example, we depend on information technology systems and third parties to operate our websites, process transactions online and in our stores, respond to customer inquiries, manage inventory, purchase, sell, and ship goods on a timely basis, and maintain cost-efficient operations. In addition, third-party distributors may utilize their own information technology systems and other infrastructure as we transition to a distributor model in certain countries outside of the United States. We also depend on our information technology infrastructure for digital marketing activities and for electronic communications among our personnel, customers, manufacturers, and suppliers around the world. Our website, portions of which are run through Shopify, and information technology systems, some of which are managed by third parties, may be susceptible to a variety of interruptions or outages, including those caused by damage, disruptions, slowdowns, or shutdowns due to failures during the process of upgrading or replacing software, databases, or components, fire, flood, power outages, hardware failures, terrorist attacks, acts of war, break-ins, earthquakes, or catastrophic events.

Due to the importance of our website and internet-related operations, we are vulnerable to website downtime and other technical failures, which may be outside of our control. Further, any slowdown or material disruption of our systems, or the systems of our third-party service providers, or our website could disrupt our ability to track, record, and analyze the products that we sell and could negatively impact our operations, shipment of goods, ability to process financial information and transactions, and our ability to receive and process customer orders or engage in normal business activities. Our third-party technology providers may also change their policies, terms, or offerings from time to time, may fail to introduce new features and offerings that meet our needs as we expand, or may cease to provide services to us on favorable terms, or at all, which could require us to adjust how we use our information technology systems, including our website, or switch to alternative third-party service providers which could be costly, cause interruptions, and could ultimately adversely affect our business, financial condition, results of operations, and growth prospects. Furthermore, we could experience delays in reporting our financial results.

We use complex custom-built proprietary software in our technology infrastructure. Our proprietary software may contain undetected errors or vulnerabilities, some of which may be significant and may only be discovered after the software has been implemented in our production environment or released to end users. In addition, we seek to continually update and improve our software, and we may not always be successful in executing these upgrades and improvements, and the operation of our systems may be subject to slowdown or failure. For example, in the past we have experienced minor slowdowns and/or impaired functionality while updating our website. Moreover, new technologies or infrastructures may not be fully integrated with existing systems on a timely basis, or at all. Any errors or vulnerabilities discovered in our software after commercial implementation or release could result in damage to our reputation, loss of customers, exploitation by bad actors resulting in data breaches or unauthorized modification of our software, disruption to our digital channels, loss of revenue, or liability for damages, any of which could adversely affect our growth prospects and our business.

Additionally, if we expand our use of third-party services, including cloud-based services, our technology infrastructure may be subject to increased risk of slowdown or interruption as a result of integration with or subsequent dependence on such services and/or failures by such third parties, which are out of our control. Our net revenue depends on the number of visitors who shop on our website and the volume of orders we can handle. Unavailability of our website or mobile app or reduced order fulfillment performance would reduce the volume of goods sold and could also adversely affect customer perception of our brand. In addition, continued growth in our transaction volume, as well as surges in online traffic and orders associated with promotional activities or seasonal trends in our business, place additional demands on our technology platform, and could cause or exacerbate slowdowns or interruptions. If there is a substantial increase in the volume of traffic on our website or the number of orders placed by customers, we will be required to further expand, scale, and upgrade our technology, transaction processing systems, and network infrastructure. There can be no assurance that we will be able to accurately project the rate or timing of increases, if any, in the use of our website or mobile app or expand, scale, and upgrade our technology, systems, and infrastructure to accommodate such increases on a timely basis. In order to remain competitive, we must continue to enhance and improve the responsiveness, functionality, and features of our website, mobile app and underlying technology infrastructure, which is particularly challenging given the rapid rate at which new technologies, customer preferences and expectations, and industry standards and practices are evolving in the eCommerce industry. These types of activities subject us to inherent costs and risks associated with replacing and changing these systems, including impairment of our ability to fulfill customer orders, potential disruption of our internal control structure, capital expenditures, additional administration, and operating expenses, acquisition, and retention of sufficiently skilled personnel to implement and operate the new systems, demands on management time, the introduction of errors or vulnerabilities, and other risks and costs of delays or difficulties in transitioning to or integrating new systems into our current systems. Our or our third-party vendors' inability to continue to update, improve, and scale our website or mobile app and the underlying technology infrastructure (including upgrades to or replacement of legacy systems with successor systems or building new policies, procedures, training programs, and monitoring tools) could harm our reputation and our ability to acquire, retain, and serve our customers, which could adversely affect our business, financial condition, and results of operations.

Further, we endeavor to continually upgrade existing technologies and business applications, and we may be required to implement new technologies or business applications in the future. The implementation of upgrades and changes requires significant investments. Our results of operations may be affected by the timing, effectiveness, and costs associated with the successful implementation of any upgrades or changes to our systems and infrastructure.

If the technology-based systems that give our customers the ability to shop with us online do not function effectively, our results of operations, as well as our ability to grow our digital business globally, could be materially adversely affected.

Any failure on our part to provide attractive, effective, reliable, user-friendly digital platforms that offer a wide assortment of merchandise with rapid delivery options and that continually meet the changing expectations of online shoppers could place us at a competitive disadvantage, result in the loss of digital and other sales, harm our reputation with customers, have a material adverse impact on the growth of our digital business globally, and could have a material adverse impact on our business and results of operations.

Risks specific to our digital business also include diversion of sales from our company-operated stores, difficulty in recreating the in-store experience through direct channels and liability for online content. Our failure to successfully respond to these risks might adversely affect sales in our digital business, as well as damage our reputation and brand.

In the event that it is more difficult for our customers to buy products from us on their mobile devices, or if our customers choose not to buy products from us on their mobile devices or to use mobile products that do not offer access to our websites, our customer growth could be harmed and our business, financial condition, and results of operations may be adversely affected.

We are subject to risks related to online payment methods.

We currently accept payments using a variety of methods, including credit cards and debit cards. As we offer new payment options to consumers, we may be subject to additional regulations, compliance requirements, fraud and other risks. For certain payment methods, we pay interchange and other fees, which may increase over time and raise our operating costs and lower profitability. We are also subject to payment card association operating rules and certification requirements, including the Payment Card Industry Data Security Standard, or PCI DSS, and rules governing electronic funds transfers, which could change or be reinterpreted to make it difficult or impossible for us to comply. Failure to comply with PCI DSS or to meet other payment card or other industry standards may result in the imposition of financial penalties or the allocation by the card brands of the costs of fraudulent charges to us.

If sensitive information about our customers is actually or alleged to have been disclosed, or if we or our third-party providers are subject to real or perceived cyberattacks or misuse, our customers may curtail use of our website or mobile app, we may be exposed to liability, and our reputation could suffer.

Operating our business and platform involves the collection, storage, and transmission of a variety of sensitive information, such as names, phone numbers, mailing and billing addresses and email addresses, and other similar personal information, which we may share with our third-party service providers. In an effort to protect sensitive information, we rely on a variety of security measures, but advances in computer capabilities, increasingly sophisticated tools and methods used by hackers and cyber terrorists, new discoveries in the field of cryptography, or other developments may result in our or our third-party service providers' (a) failure or inability to detect cyberattacks, or (b) failure or inability to adequately protect sensitive information.

Like other eCommerce companies, we are also vulnerable to hacking, malware, supply chain attacks, computer viruses, unauthorized access, and various other attacks by computer hackers (such as phishing or social engineering attacks, ransomware attacks, credential stuffing attacks, denial-of-service attacks, exploitation of software vulnerabilities, and other real or perceived cyberattacks) as well as cybersecurity incidents caused by telecommunication failures, user errors, or intentional or accidental actions or inactions by users with authorized access to our systems. Additionally, certain functional areas of our workforce operate in a "hybrid" or fully remote work environment, which has heightened the risk of these potential vulnerabilities. Any of these issues could lead to interruptions or shutdowns of our platform, loss or corruption of data or unauthorized access to, or disclosure of sensitive information. Cyberattacks could also result in the theft of our intellectual property or sensitive information of our business partners and suppliers, damage to our IT systems or disruption of our ability to make financial reports, and other public disclosures required of public companies. We have been subject to attempted cyber, phishing, or social engineering attacks in the past and may continue to be subject to such attacks and other cybersecurity incidents in the future. We and our third-party service providers may not have the resources or technical sophistication to anticipate or prevent all such cyberattacks. Moreover, techniques used to obtain unauthorized access to systems change frequently and may not be known until launched against us or our third-party service providers. Security breaches can also occur as a result of non-technical issues, including intentional or inadvertent actions by our employees, our third-party service providers, or their personnel.

If we, our distributors, or our third-party service providers experience, or are believed to have experienced, security breaches that result in marketplace performance or availability problems or the loss or corruption of, or unauthorized access to or disclosure of, sensitive information, consumers may become unwilling to provide us the information necessary to make purchases on our website. Existing customers may also decrease or stop their purchases altogether. While we maintain cyber errors and omissions insurance coverage that covers certain aspects of cyber risks, these losses may not be adequately covered by insurance or other contractual rights available to us. The successful assertion of one or more large claims against us that exceed or are not covered by our insurance coverage or changes in our insurance policies, including premium increases or the imposition of large deductible or co-insurance requirements, could make us unable to acquire such insurance and may have an adverse effect on our business, financial condition, and results of operations.

Furthermore, we may be required to disclose personal data pursuant to demands from individuals, privacy advocates, regulators, government agencies, and law enforcement agencies in various jurisdictions with conflicting privacy and security laws. Any disclosure or refusal to disclose personal data may result in a breach of privacy and data protection policies, notices, laws, rules, court orders, and regulations and could result in proceedings or actions against us in the same or other jurisdictions, damage to our reputation and brand, and inability to provide our products to customers in certain jurisdictions. Additionally, changes in the laws and regulations that govern our collection, use, and disclosure of customer data could impose additional requirements with respect to the retention and security of customer data, could limit our marketing activities, and have an adverse effect on our business, financial condition, and results of operations.

We are subject to federal, state, or foreign laws and regulations as well as our contractual obligations and industry requirements relating to privacy, data protection, and customer protection; the expansion of current or the enactment of new laws and regulations relating to privacy, data protection, and customer protection, or failure to comply with those laws or obligations, whether or not inadvertent, could materially adversely affect our business, financial condition and results of operations.

We collect and maintain significant amounts of data relating to our customers and employees, and we face risks inherent in handling large volumes of data, transferring such data to third parties, processing such data for tracking and marketing purposes (or providing such data to third parties for tracking and marketing purposes), and protecting the security of such data. Our actual or perceived failure to comply with any federal, state, or foreign laws and regulations, or applicable industry standards that govern or apply to our collection, use, retention, sharing, and security of data, or any failure by any of our third party service providers to protect such data that they may maintain on our behalf, could result in enforcement actions that require us to change our business practices in a manner that may negatively impact our revenue, result in indemnity obligations to our customers, distract our management, increase our costs of doing business, as well as expose ourselves to litigation, fines, civil, and/or criminal penalties and adverse publicity that could cause our customers to lose trust in us, negatively impacting our reputation and business (including our brand) in a manner that harms our financial position, results in a loss of customers and suppliers or an inability to process credit card payments, and may result in the imposition of monetary penalties. Laws and regulations in the United States and around the world restrict how information about individuals is collected, processed, stored, used, transferred, and disclosed, as well as set standards for its security, implement notice requirements regarding privacy practices, and provide individuals with certain rights regarding the use, disclosure, and sale of their protected personal information. These laws and regulations are still being tested in courts, and they are subject to new and differing interpretations by courts and regulatory officials. We are working to comply with the privacy and data protection laws and regulations that apply to us, and we anticipate needing to devote significant additional resources to complying with these laws and regulations. It is possible that these laws and regulations may be interpreted and applied in a manner that is inconsistent from jurisdiction to jurisdiction or inconsistent with our current policies and practices.

In the United States, both federal and various state governments have adopted, or are considering, laws, guidelines, or rules for the collection, distribution, use, and storage of information collected from or about consumers or their devices. For example, California enacted the California Consumer Privacy Act, or the CCPA, which went into effect on January 1, 2020. The CCPA gives California residents expanded rights to access and delete their personal information, opt out of certain personal information sharing, and receive detailed information about how their personal information is used. The CCPA provides for civil penalties for violations, as well as statutory damages and a private right of action for data breaches that is expected to increase data breach litigation. Further, in November 2020, California voters passed the California Privacy Rights Act, or CPRA. The CPRA took effect on January 1, 2023 and creates obligations with respect to certain data relating to consumers as of January 1, 2022, significantly expands the CCPA, including by introducing additional obligations such as data minimization and storage limitations, granting additional rights to consumers, such as correction of personal information and additional opt-out rights, and creates a new entity, the California Privacy Protection Agency, to implement and enforce the law. Personal information we handle may be subject to the CCPA and CPRA, which may increase our compliance costs and potential liability. Further, Virginia, Colorado, Utah, and Connecticut have all passed privacy laws that took effect in 2023, but aspects of these state privacy statutes remain unclear, resulting in further legal uncertainty and potentially requiring us to modify our data practices and policies and to incur substantial additional costs and expenses in an effort to comply. Other states have considered similar bills, which could be enacted in the future. In addition to fines and penalties that may be imposed for failure to comply with state law, some states also provide for private rights of action to customers for misuse of or unauthorized access to personal information.

Certain requirements from our third-party technology and platform providers may also cause us to modify our offerings due to privacy concerns or negatively affect our revenue due to reduced availability of information about consumers. For example, Apple iOS 14.5 requires apps in the Apple App Store to opt in to the tracking of users across apps and websites owned by third parties for advertising and measurement purposes. Google introduced a similar feature in early 2022. Changes like this may reduce the quality of the data and related metrics that can be collected or used by us and/or our partners. In addition, such changes could significantly inhibit the effectiveness of our targeted advertising and related activities.

In addition to risks posed by new privacy laws, we could be subject to claims alleging violations of long-established federal and state privacy and consumer protection laws, including those related to telephone and email communications with consumers. As an example, the Telephone Consumer Protection Act, or TCPA, is a federal law that imposes significant restrictions on the ability to make telephone calls or send text messages to mobile telephone numbers without the prior consent of the person being contacted. The TCPA provides for substantial statutory damages for violations, which has generated extensive class action litigation. In addition, class action plaintiffs in the United States are employing novel legal theories to allege that federal and state eavesdropping/wiretapping laws and state constitutions prohibit the use of analytics technologies widely employed by website and mobile app operators to understand how their users interact with their services. Despite our compliance efforts, our use of text messaging communications or similar analytics technologies could expose us to costly litigation, government enforcement actions, damages, and penalties, which could adversely affect our business, financial condition, and results of operations.

Outside of the United States, certain foreign jurisdictions, including the European Economic Area, or EEA, and the United Kingdom, have laws and regulations which are more restrictive in certain respects than those in the United States. For example, the EEA and the United Kingdom have adopted the GDPR, which may apply to our collection, control, use, sharing, disclosure, and other processing of data relating to an identified or identifiable living individual (personal data). The GDPR, and national implementing legislation in EEA member states and the United Kingdom, impose a strict data protection compliance regime including: providing detailed disclosures about how personal data is collected and processed (in a concise, intelligible and easily accessible form); granting new rights for data subjects in regard to their personal data (including the right to be "forgotten" and the right to data portability), as well as enhancing current rights (e.g., data subject access requests); requirements to have data processing agreements in place to govern the processing of personal data on behalf of other organizations; introducing the obligation to notify data protection regulators or supervisory authorities (and in certain cases, affected individuals) of significant data breaches; maintaining a record of data processing; and complying with the principal of accountability and the obligation to demonstrate compliance through policies, procedures, trainings, and audits.

In addition, we are subject, or may become subject, to various other data privacy and security laws and regulations of other foreign jurisdictions, including those in China and South Korea. On June 10, 2021, the Peoples Republic of China, or the PRC, passed the PRC Data Security Law, or the DSL. The DSL, which became effective on September 1, 2021, imposes data privacy and cybersecurity obligations on entities carrying out processing of personal data and stipulates that entities processing of data outside China will be liable for damages to the interests of PRC citizens. Also, on August 20, 2021, the PRC passed the Personal Information Protection Law, or the PIPL. The PIPL, which took effect in November 2021, puts in place rules for processing personal information of PRC citizens. Like the GDPR and CCPA, the DSL and PIPL apply to processing of personal information outside China but for purpose of providing products or services to PRC citizens.

Since we collect and process personal information on PRC citizens, we are or may become subject to and may be ordered to comply with PRC regulations associated with the DSL and PIPL. In addition, we may be subject to heightened PRC regulatory scrutiny in the future. As there remains significant uncertainty in the interpretation and enforcement of the DSL and the PIPL, we cannot assure you that we will comply with such regulations in all respects. Any non-compliance may subject us to fines, orders to remediate or terminate any actions that are deemed illegal by regulatory authorities, as well as damage to our reputation, or legal proceedings against us, which may affect our business, financial condition, or results of operations.

We also may be subject to European Union rules with respect to cross-border transfers of personal data out of the EEA. Recent legal developments in Europe have created complexity and uncertainty regarding transfers of personal data from the EEA to the United States. We may make use of alternative data transfer mechanisms such as standard contractual clauses, or SCCs, approved by the European Commission on June 4, 2021. These new SCCs may require us to expend significant resources to update our contractual arrangements and to comply with such obligations. Further, data protection authorities may require measures to be put in place in addition to SCCs for transfers to countries outside of the EEA, as well as Switzerland and the United Kingdom. Our third-party service providers may also be affected by these changes. In addition to other impacts, we may experience additional costs to comply with these changes, and we and our customers face the potential for regulators in the EEA, Switzerland, or the United Kingdom to apply different standards to the transfer of personal data to the United States and other non-EEA countries, and to block, or require ad hoc verification of measures taken with respect to certain data flows to the United States and other non-EEA countries. We also may be required to engage in new contract negotiations with third parties that aid in processing data on our behalf, to the extent that any of our service providers or consultants have been relying on invalidated or insufficient contractual protections for compliance with evolving interpretations of and guidance for cross-border data transfers pursuant to the GDPR. In such cases, we may not be able to find alternative service providers, which could limit our ability to process personal data from the EEA, Switzerland, or the United Kingdom and increase our costs.

These recent developments may require us to review and amend the legal mechanisms by which we make and/or receive personal data transfers to/in the United States. As supervisory authorities issue further guidance on personal data export mechanisms, including circumstances where the standard contractual clauses cannot be used and/or start taking enforcement action, we could suffer additional costs, complaints, and/or regulatory investigations or fines, and/or if we are otherwise unable to transfer personal data between and among countries and regions in which we operate, it could affect the manner in which we provide our services, the geographical location or segregation of our relevant systems and operations, and could adversely affect our business, financial condition, and results of operations.

Fines for certain breaches of the GDPR are up to the greater of 20 million euros or 4% of total global annual turnover. In addition to the foregoing, a breach of the GDPR could result in regulatory investigations, reputational damage, orders to cease/change our processing of our data, enforcement notices, and/or assessment notices (for a compulsory audit). We may also face civil claims including representative actions and other class action type litigation (where individuals have suffered harm), potentially amounting to significant compensation or damages liabilities, as well as associated costs, diversion of internal resources, and reputational harm.

The United Kingdom has implemented legislation similar to the GDPR, including the U.K. Data Protection Act and legislation similar to the GDPR referred to as the U.K. GDPR, which provides for fines of up to the greater of 17.5 million British Pounds or 4% of a company’s worldwide turnover, whichever is higher. Additionally, the relationship between the United Kingdom and the European Union in relation to certain aspects of data protection law remains unclear following the United Kingdom’s exit from the European Union, including with respect to regulation of data transfers between E.U. member states and the United Kingdom. On June 28, 2021, the European Commission announced a decision of “adequacy” concluding that the United Kingdom ensures an equivalent level of data protection to the GDPR, which provides some relief regarding the legality of continued personal data flows from the EEA to the United Kingdom. Some uncertainty remains, however, as this adequacy determination must be renewed after four years and may be modified or revoked in the interim. We cannot fully predict how the Data Protection Act, the U.K. GDPR, and other U.K. data protection laws or regulations may develop in the medium to longer term nor the effects of divergent laws and guidance regarding how data transfers to and from the United Kingdom will be regulated.

We are also subject to evolving E.U. privacy laws on cookies and e-marketing. In the European Union, regulators are increasingly focusing on compliance with requirements in the online behavioral advertising ecosystem, and current national laws that implement the ePrivacy Directive will be replaced by an E.U. regulation known as the ePrivacy Regulation which will significantly increase fines for non-compliance. In the European Union, informed consent is required for the placement of a cookie or similar technologies on a user's device and for direct electronic marketing. The GDPR also imposes conditions on obtaining valid consent, such as a prohibition on pre-checked consents and a requirement to ensure separate consents are sought for each type of cookie or similar technology. While the text of the ePrivacy Regulation is still under development and not expected to take effect until sometime in 2023, a European court decision and regulators' recent guidance are driving increased attention to cookies and tracking technologies. If regulators start to enforce the strict approach in recent guidance, this could lead to substantial costs, require significant systems changes, limit the effectiveness of our marketing activities, divert the attention of our technology personnel, adversely affect our margins, increase costs, and subject us to additional liabilities. Regulation of cookies and similar technologies, and any decline of cookies or similar online tracking technologies as a means to identify and potentially target individuals, may lead to broader restrictions and impairments on our marketing and personalization activities, and may negatively impact our efforts to understand users.

Furthermore, compliance with legal and contractual obligations may require us to make public statements about our privacy and data security practices, including the statements we make in our online privacy policy. Although we endeavor to comply with these statements, should they prove to be untrue or be perceived as untrue, even through circumstances beyond our reasonable control, we may face litigation, claims, investigations, inquiries, or other proceedings by the U.S. Federal Trade Commission, state attorneys general, and other federal, state, and foreign regulators and private litigants alleging violations of privacy or consumer protection laws.

Any actual or perceived non-compliance with these rapidly changing laws, regulations, or standards or our contractual obligations relating to privacy, data protection, and consumer protection by us or the third-party companies we work with could result in litigation and proceedings against us by governmental entities, consumers, or others, fines and civil or criminal penalties for us or company officials, obligations to cease offerings or to substantially modify our business in a manner that makes it less effective in certain jurisdictions, negative publicity, and harm to our brand and reputation, and reduced overall demand for our products, any of which could have an adverse effect on our business, financial condition, and results of operations.

Use of social media, emails, push notifications, and text messages in ways that do not comply with applicable laws and regulations, lead to the loss or infringement of intellectual property, or result in unintended disclosure may harm our reputation or subject us to fines or other penalties.

We use social media, emails, push notifications, and text messages as part of our omni-channel approach to marketing. As laws and regulations evolve to govern the use of these channels, the failure by us, our employees, or third parties acting at our direction to comply with applicable laws and regulations in the use of these channels could adversely affect our reputation or subject us to fines or other penalties. In addition, our employees or third parties acting at our direction may knowingly or inadvertently make use of social media in ways that could lead to the loss or infringement of intellectual property, as well as the public disclosure of proprietary, confidential, or sensitive personal information of our business, employees,customers, third-party vendors, or others. Information concerning us or our customers, whether accurate or not, may be posted on social media platforms at any time and may have an adverse impact on our brand, reputation, or business. The harm may be immediate without affording us an opportunity for redress or correction and could have a material adverse effect on our reputation, business, results of operations, financial condition, and prospects.

Risks Related to Other Legal, Regulatory, and Taxation Matters

Government regulation of the internet and eCommerce is evolving, and unfavorable changes or failure by us to comply with these regulations, whether or not inadvertent, could substantially harm our business, financial condition, and results of operations.

We are subject to general business regulations and laws as well as regulations and laws specifically governing the internet and eCommerce. Existing and future regulations and laws could impede the growth of the internet, eCommerce, or mobile commerce, which could in turn adversely affect our growth. These regulations and laws may involve taxes, tariffs, privacy and data security, anti-spam, content protection, electronic contracts and communications, customer protection, and internet neutrality. It is not clear how existing laws governing issues such as property ownership, sales, and other taxes and customer privacy apply to the internet as the vast majority of these laws were adopted prior to the advent of the internet and do not contemplate or address the unique issues raised by the internet or eCommerce. It is possible that general business regulations and laws, or those specifically governing the internet or eCommerce, may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another and may conflict with other rules or our practices. We cannot be sure that our practices comply fully with all such laws and regulations. Any failure, or perceived failure, by us to comply with any of these laws or regulations could result in damage to our reputation, a loss in business, and proceedings or actions against us by governmental entities, customers, suppliers, or others. Any such proceeding or action could hurt our reputation, force us to spend significant amounts in defense of these proceedings, distract our management, increase our costs of doing business, decrease the use of our website and mobile app by customers and suppliers, and may result in the imposition of monetary liabilities. We may also be contractually liable to indemnify and hold harmless third parties from the costs or consequences of our own non-compliance with any such laws or regulations. As a result, adverse developments with respect to these laws and regulations could substantially harm our business, financial condition, and results of operations.

We have and may continue to face exposure to foreign currency exchange rate fluctuations.

Certain of our foreign revenue is denominated in currencies of the countries and territories where we sell our products outside of the United States. Similarly, certain of our foreign operating expenses are denominated in the currencies of the countries and territories in which our third-party vendors are located. For example, to acquire the supply of raw materials or commodities such as wool that we expect to require for our business, we may enter into long-term contracts with pricing denominated in currencies other than the U.S. dollar. Accordingly, changes in the value of foreign currencies relative to the U.S. dollar have affected and may in the future continue to affect our net revenue and results of operations. For example, in 2022, our full year net revenue and results of operations were negatively impacted by approximately $8.0 million from unfavorable foreign exchange rates due to the strengthening U.S. dollar in certain international markets. As a result of such foreign currency exchange rate fluctuations, it has been and may continue to be more difficult to detect underlying trends in our business and results of operations. In addition, to the extent that fluctuations in currency exchange rates cause our results of operations to differ from our expectations or the expectations of our investors, the trading price of our Class A common stock could be lowered. We do not currently maintain a program to hedge transactional exposures in foreign currencies. However, in the future, we may use derivative instruments, such as foreign currency forward and option contracts, to hedge certain exposures to fluctuations in foreign currency exchange rates. The use of such hedging activities may not offset any or more than a portion of the adverse financial effects of unfavorable movements in foreign exchange rates over the limited time the hedges are in place and may introduce additional risks if we are unable to structure effective hedges with such instruments

Existing and potential tariffs imposed by the United States or other governments or a global trade war could increase the cost of our products, which could have an adverse effect on our business, financial condition and results of operations; new trade restrictions could prevent us from importing or selling our products profitably.

The United States and the countries in which our products are produced or sold have imposed and may impose additional quotas, duties, tariffs, or other restrictions or regulations, or may adversely adjust prevailing quota, duty, or tariff levels. The results of any audits or related disputes regarding these restrictions or regulations (including, for example, regarding the proper import classification code, or HTS code, for a given product) could have an adverse effect on our financial statements for the period or periods for which the applicable final determinations are made. Countries impose, modify, and remove tariffs and other trade restrictions in response to a diverse array of factors, including global and national economic and political conditions, which make it impossible for us to predict future developments regarding tariffs and other trade restrictions. For example, the U.S. government has in recent years imposed increased tariffs on imports from certain foreign countries, such as China, and any imposition of additional tariffs by the United States could result in the adoption of tariffs by other countries, leading to a global trade war. Any such future tariffs by the United States or other countries could have a significant impact on our business. While we may attempt to renegotiate prices with suppliers or diversify our supply chain in response to tariffs or shift production between manufacturers in different countries, such efforts may not yield immediate results or may be ineffective or not possible in the near-term. For example, we shifted production capacity from China to Vietnam, which means that the U.S. government's tariffs on certain imports from China currently only affect a small portion of our existing production volume. But we may be required to shift production capacity back to China (or other countries for which the U.S. government has imposed higher tariffs) due to lack of manufacturing expertise or capacity in relatively lower-tariff countries. We might also consider increasing prices to the end customer; however, this could reduce the competitiveness of our products and adversely affect net revenue.

Trade restrictions, including tariffs, quotas, economic sanctions, embargoes, safeguards, and customs restrictions, could increase the cost or reduce the supply of products available to us, could increase shipping times, or may require us to modify our supply chain organization or other current business practices, any of which could harm our business, financial condition, and results of operations.

We are also dependent on international trade agreements and regulations. The countries in which we produce and sell our products could impose or increase tariffs, duties, or other similar charges that could negatively affect our results of operations, financial position, or cash flows.

Adverse changes in, or withdrawal from, trade agreements or political relationships between the United States and countries where we sell or source our products, could negatively impact our results of operations or cash flows.

General geopolitical instability and the responses to it, such as the possibility of sanctions, trade restrictions, and changes in tariffs, including tariffs imposed by the United States and China, and the possibility of additional tariffs or other trade restrictions between the United States and other countries where we currently or might in the future manufacture or sell our products, could adversely impact our business. It is possible that further tariffs may be introduced, or increased. Such changes could adversely impact our business and could increase the costs of sourcing our products that are manufactured in countries other than the United States, or could require us to source more of our products from other countries.

If we fail to anticipate and manage any of these dynamics successfully, our gross margin and profitability could be adversely affected.

Any failure to comply with trade, anti-corruption, and other regulations could lead to investigations or actions by government regulators and negative publicity.

The labeling, distribution, importation, marketing, and sale of our products are subject to extensive regulation by various federal agencies, including the Federal Trade Commission, as well as by various other federal, state, provincial, local, and international regulatory authorities in the countries in which our products are currently distributed or sold. If we fail to comply with any of these regulations, we could become subject to enforcement actions or the imposition of significant penalties or claims, which could harm our results of operations or our ability to conduct our business. Legal proceedings or any investigations or inquiries by governmental agencies related to these or any other matters, could result in significant settlement amounts, damages, fines, or other penalties, divert financial and management resources, and result in significant legal fees. An unfavorable outcome of any particular proceeding could have an adverse impact on our business, financial condition, and results of operations. In addition, the adoption of new regulations or changes in the interpretation of existing regulations may result in significant compliance costs or discontinuation of product sales and could impair the marketing of our products, resulting in significant loss of net revenue.

Most of our products are derived from third-party supply and manufacturing partners in foreign countries and territories, including countries and territories perceived to carry an increased risk of corrupt business practices. We also have subsidiaries and/or employees and other agents working in several foreign countries and territories, including, but not limited to, the United Kingdom, the People's Republic of China, and Hong Kong. We are subject to the U.S. Foreign Corrupt Practices Act of 1977, as amended, or FCPA, the U.S. domestic bribery statute contained in 18 U.S.C. § 201, the U.S. Travel Act, the USA PATRIOT Act, the U.K. Bribery Act 2010, and possibly other anti-bribery and anti-money laundering laws in countries in which we conduct activities. These laws prohibit companies and their employees and third-party intermediaries from corruptly promising, authorizing, offering or providing, directly or indirectly, improper payments or anything of value to foreign government officials, political parties and private-sector recipients for the purpose of obtaining or retaining business, directing business to any person or securing any advantage. In addition, U.S. public companies are required to maintain records that accurately and fairly represent their transactions and have an adequate system of internal accounting controls. In many foreign countries, including countries in which we may conduct business, it may be a local custom that businesses engage in practices that are prohibited by the FCPA or other applicable laws and regulations. We face significant risks if we or any of our directors, officers, employees, agents, or other partners or representatives fail to comply with these laws, and governmental authorities in the United States and elsewhere could seek to impose substantial civil and/or criminal fines and penalties, which could adversely affect our reputation, business, financial condition, and results of operations.

While we have implemented policies and procedures relating to anti-bribery and anti-corruption compliance, our employees, contractors, and agents, and companies to which we outsource certain of our business operations, may take actions in violation of our policies and applicable law, for which we may be ultimately held responsible and which could lead to an adverse effect on our reputation, business, financial condition, and results of operations.

Any violation of the FCPA, other applicable anti-corruption laws, or anti-money laundering laws could result in whistleblower complaints, adverse media coverage, investigations, loss of export privileges, or severe criminal or civil sanctions, any of which could have an adverse effect on our business, financial condition, and results of operations. In addition, responding to any enforcement action may result in a significant diversion of management's attention and resources and significant defense costs and other professional fees.

Uncertainties in the interpretation and application of existing, new and proposed tax laws and regulations could materially affect our tax obligations and effective tax rate.

The tax regimes to which we are subject or under which we operate are unsettled and may be subject to significant change. The issuance of additional guidance related to existing or future tax laws, or changes to tax laws or regulations proposed or implemented by the current or a future U.S. presidential administration, Congress, or taxing authorities in other jurisdictions, including jurisdictions outside of the United States, could materially affect our tax obligations and effective tax rate. To the extent that such changes have a negative impact on us, our suppliers, manufacturers, or our customers, including as a result of related uncertainty, these changes may adversely impact our business, financial condition, results of operations, and cash flows.

The amount of taxes we pay in different jurisdictions depends on the application of the tax laws of various jurisdictions, including the United States, to our international business activities, tax rates, new or revised tax laws, or interpretations of tax laws and policies, and our ability to operate our business in a manner consistent with our corporate structure and intercompany arrangements. The taxing authorities of the jurisdictions in which we operate may challenge our methodologies for pricing intercompany transactions and maintaining our intercompany arrangements, or disagree with our determinations as to the income and expenses attributable to specific jurisdictions. If such a challenge or disagreement were to occur, and our position was not sustained, we could be required to pay additional taxes, interest, and penalties, which could result in one-time tax charges, higher effective tax rates, reduced cash flows, and lower overall profitability of our operations. Our financial statements could fail to reflect adequate reserves to cover such a contingency. Similarly, a taxing authority could assert that we are subject to tax in a jurisdiction where we believe we have not established a taxable connection, often referred to as a "permanent establishment" under international tax treaties, and such an assertion, if successful, could increase our expected tax liability in one or more jurisdictions.

Although we believe that we currently collect sales taxes in all jurisdictions that require us to do so, a successful assertion by one or more jurisdictions requiring us to collect sales taxes where we currently do not collect sales taxes, or to collect additional sales taxes in a jurisdiction in which we currently collect sales taxes, could result in substantial tax liabilities (including penalties and interest). In addition, the imposition of additional sales tax collection obligations, whether for prior years or prospectively, could create additional administrative burdens for us, put us at a competitive disadvantage if similar obligations are not imposed on our competitors and decrease our future sales, which could have an adverse impact on our business and results of operations.

Our ability to use our net operating loss carryforwards may be limited.

We have incurred substantial net operating losses during our history. Subject to the limitations described below, unused net operating losses generally may carry forward to offset future taxable income if we achieve profitability in the future, unless such net operating losses expire under applicable tax laws. Under current law, unused U.S. federal net operating losses generated in tax years beginning after December 31, 2017, will not expire and may be carried forward indefinitely, but the deductibility of such federal net operating loss carryforwards is limited to 80% of taxable income. It is uncertain if and to what extent various states will conform to current federal tax law. In addition, our ability to utilize our federal net operating carryforwards may be limited under Section 382 of the Internal Revenue Code of 1986, as amended, or the Code. The limitations apply if we experience an "ownership change," which is generally defined as a greater than 50 percentage point change (by value) in the ownership of our equity by certain stockholders or groups of stockholders over a rolling three-year period. Similar provisions of state tax law may also apply to limit the use of our state net operating loss carryforwards. We have not yet completed a Section 382 analysis, and therefore, there can be no assurances that any previously experienced ownership changes have not materially limited our utilization of affected net operating loss carryforwards. Past or future changes in our stock ownership, including as a result of our initial public offering, some of which may be outside of our control, may have triggered or may trigger an ownership change that materially impacts our ability to utilize pre-change net operating loss carryforwards. Moreover, there may be periods during which the use of net operating loss carryforwards in various jurisdictions is suspended or otherwise subject to additional limitations. Accordingly, our ability to use our net operating loss carryforwards to offset taxable income may be subject to such limitations or special rules that apply at the state level, which could adversely affect our results of operations.

We are currently and may again in the future be subject to claims and litigation that could result in unexpected expenses and could ultimately be resolved against us.

From time to time, we may be involved in litigation and other proceedings, including matters related to product liability claims, stockholder class action and derivative claims, commercial disputes, and copyright infringement, challenging trademarks, and other intellectual property claims, as well as trade, regulatory, employment, and other claims related to our business or our sustainability and ESG practices, statements, and goals. For example, on April 13, 2023, and on May 16, 2023, we and certain of our executive officers and directors were named as defendants in two substantially similar securities class action lawsuits alleging that we violated Sections 10(b) and 20(a) of the Exchange Act and SEC Rule 10b-5, 17 C.F.R. § 240.10b-5, promulgated thereunder, and Sections 11 and 15 of the Securities Act by making materially false and/or misleading statements about our business, operations and prospects. These two cases are captioned Shnayder v. Allbirds, Inc., et al., Case No. 23-cv-01811-AMO (N.D. Cal.); Delgado v. Allbirds, Inc., et al., Case No. 23-cv-02372-AMO (N.D. Cal.). On July 25, 2023, the court entered an order consolidating the two cases, appointing lead plaintiffs, and approving lead plaintiffs' selection of lead counsel. We intend to vigorously defend against these lawsuits. Any of these proceedings could result in significant settlement amounts, damages, fines, or other penalties, divert financial and management resources, and result in significant legal fees. An unfavorable outcome of any particular proceeding could exceed the limits of our insurance policies, or the carriers may decline to fund such final settlements and/or judgments and could have an adverse impact on our business, financial condition, and results of operations. In addition, any proceeding could negatively impact our reputation among our customers and our brand image.

Risks Related to Our Status as a Public Benefit Corporation and Certified B Corporation

Our status as a public benefit corporation may not result in the benefits that we anticipate.

We are a PBC under Delaware law. As a PBC, we are required to produce a public benefit and to operate in a responsible and sustainable manner, while balancing our stockholders' pecuniary interests, the best interests of those materially affected by our conduct, and the specific public benefit of environmental conservation that is identified by our certificate of incorporation. While we believe our PBC status is meaningful to customers, brand, employees, and other business partners and that our public benefit of environmental conservation is of vital importance to our planet, there is no assurance that we will achieve our public benefit purpose or that the expected positive impact from being a PBC will be realized. Accordingly, being a PBC and complying with our related obligations could negatively impact our ability to provide the highest possible return to our stockholders.

As a PBC, we are required to provide our stockholders with a report at least biennially assessing our overall public benefit performance and our success in achieving our specific public benefit purpose. To the extent we are unable to provide this report in a timely manner, or if the report is not viewed favorably by our stockholders, parties doing business with us, regulators, or others because we are unable to report sufficient progress toward our public benefit or otherwise, our reputation and status as a PBC may be harmed, which could in turn have a material adverse effect on our business, results of operations and financial condition.

If our publicly reported certified B Corp score declines, or if we lose our certified B Corp status, our reputation could be harmed and our business could suffer.

While not required by Delaware law or the terms of our certificate of incorporation, we have elected to have our social and environmental performance, accountability, and transparency assessed against the criteria established by an independent non-profit organization, B Lab, Inc., or B Lab. As a result of this assessment, we have been designated as a certified B Corp, which refers to a company that has been certified as meeting certain levels of social and environmental performance, accountability, and transparency. The standards set for B Corp certification may change over time. Our continued certification is at the sole discretion of B Lab. We believe that our B Corp status strengthens our credibility and trust among our customers, employees and business partners as well as within our industry. Investors who are focused on ESG- and sustainability-related initiatives may also place importance on our status as a B Corp, as an independent assessment of our social and environmental performance, accountability, and transparency. Any decline in our publicly reported B Corp score or change in our status, whether due to our choice or failure to meet the B Corp certification requirements, could create a perception that we are more focused on financial performance and no longer as committed to the values and standards shared by B Corps. This could harm our reputation and brand among customers, employees or business partners, which could harm our business and results of operations, and cause the stock price of our Class A common stock to decline.

Our directors have a fiduciary duty to consider not only our stockholders' interests, but also our specific public benefit and the interests of other stakeholders affected by our conduct. If a conflict between such interests arises, there is no guarantee such a conflict would be resolved in favor of our stockholders.

While directors of traditional corporations are required to make decisions they believe to be in the best interests of their stockholders, directors of a PBC have a fiduciary duty to balance the stockholders' pecuniary interests, the best interests of other stakeholders materially affected by the PBC's conduct and the company's specific public benefit. Under Delaware law, directors are shielded from liability for breach of these fiduciary obligations if they make informed and disinterested decisions that serve a rational purpose. Thus, our directors are not merely permitted, but obligated, to consider our specific public benefit and the interests of other stakeholders. In the event of a conflict between the financial interests of our stockholders and the interests of our specific public benefit or our other stakeholders, our directors are obligated to make informed and disinterested decisions that serve a rational purpose; thus, there is no guarantee that such a conflict would be resolved in favor of our stockholders' financial interests. Accordingly, Delaware law and our PBC status could result in our board of directors making decisions which are less financially lucrative for our stockholders in the short- and/or long-term if the public benefit and other stakeholder considerations are significant; this could harm our business, results of operations, and financial condition, which in turn could cause our stock price to decline.

As a public benefit corporation, our focus on a specific public benefit purpose and producing a positive effect for society may negatively influence our financial performance.

As a PBC, our board of directors has a duty to balance (1) the pecuniary interest of our stockholders, (2) the best interests of those materially affected by our conduct, and (3) the specific public benefit of environmental conservation identified in our certificate of incorporation. While we believe our public benefit designation and obligations will benefit our stockholders, in balancing these interests our board of directors may authorize and we may take actions that we believe will benefit environmental conservation or some or all of our stakeholders, even if those actions do not maximize our short- or medium-term financial results. While we believe that this designation and obligation will benefit the company given the importance to our long-term success of our commitment to environmental conservation, it could cause our board of directors to make decisions and take actions not in keeping with the short-term or more narrow interests of our stockholders. Any longer-term benefits that are intended by or expected from such decisions or actions may not materialize within the timeframe we expect or at all and such decisions or actions may have an immediate negative effect. For example, we may choose to revise our policies in ways that we believe will further promote environmental conservation and sustainability, even though such changes may be costly; we may take actions, such as building or contracting with suppliers and service providers who have state-of-the-art manufacturing and distribution facilities with technology and quality control mechanisms that exceed the applicable legal requirements and industry standards, even though these actions may be more costly than other alternatives; we may be influenced to pursue programs and opportunities to demonstrate our commitments to our planet, the environment and the communities in which we live and work; or in responding to a possible proposal to acquire the company, our board of directors may be influenced by the interests of our stakeholders, including our flock, our suppliers, vendors, manufacturers, and distributors, and our customers, any or all of whose interests may be different from the interests of our stockholders.

We may be unable or slow to realize the benefits we expect from actions taken to promote environmental conservation, which could materially adversely affect our business, financial condition, and results of operations, which in turn could cause our stock price to decline.

As a public benefit corporation, we may be subject to increased derivative litigation concerning our duty to balance stockholder and public benefit interests, the occurrence of which may have an adverse impact on our financial condition and results of operations.

As a PBC, our stockholders (if they, individually or collectively, own at least 2% of our outstanding capital stock or shares having at least $2 million in market value (whichever is less)) are entitled to file a derivative lawsuit claiming that our directors failed to balance stockholder and public benefit interests. Such derivative actions would be subject to the provision of our amended and restated certificate of incorporation requiring that, to the fullest extent permitted by law, such lawsuits be exclusively brought in the Court of Chancery of the State of Delaware or, if such court does not have subject matter jurisdiction thereof, the federal district court of the State of Delaware. Although traditional corporations are subject to other types of derivative actions brought by stockholders, this type of claim does not exist for traditional corporations. Therefore, we may be subject to the possibility of increased derivative litigation, which would require the attention of management and, as a result, may adversely impact management's ability to effectively execute our strategy. Any such derivative litigation could be costly and have an adverse impact on our financial condition and results of operations.

Risks Related to Ownership of Our Class A Common Stock

The market price of our Class A common stock has declined and may decline further regardless of our operating performance, resulting in substantial losses for investors purchasing shares of our Class A common stock.

The market price of our Class A common stock has experienced and may in the future experience high volatility and significant fluctuations in response to numerous factors, many of which are beyond our control, including:

- changes to our business operations and strategy;
- actual or anticipated fluctuations in our financial condition and results of operations;
- the financial projections we may provide to the public, any changes in these projections, or our failure to meet these projections;
- failure of securities analysts to initiate or maintain coverage of our company, changes in financial estimates or ratings by any securities analysts who follow our company, or our failure to meet these estimates or the expectations of investors;
- announcements by us or our competitors of significant technical innovations, acquisitions, strategic partnerships, joint ventures, results of operations, or capital commitments;
- changes in stock market valuations and operating performance of other footwear and apparel companies generally, or those in our industry in particular;
- the sustainability targets we may provide to the public, any changes in these targets, or our failure to meet them;
- price and volume fluctuations in the overall stock market, including as a result of trends in the economy as a whole;
- changes in our board of directors or management;
- sales of large blocks of our Class A common stock, including sales by our co-founders or our other executive officers and directors or by their affiliates;
- lawsuits threatened or filed against us;
- anticipated or actual changes in laws, regulations, or government policies applicable to our business;
- changes in our capital structure, such as future issuances of debt or equity securities;
- short sales, hedging, and other derivative transactions involving our capital stock;
- general economic conditions in the United States and globally;
- other events or factors, including those resulting from war (such as Russia's invasion of Ukraine and the ongoing conflict in the Middle East), pandemics (including COVID-19), incidents of terrorism, or responses to these events; and
- the other factors described in this "Part II, Item 1A. Risk Factors" and in the section titled "Special Note Regarding Forward-Looking Statements" included elsewhere in this Annual Report on Form 10-K.

The stock market has recently experienced extreme price and volume fluctuations. The market prices of securities of companies have experienced fluctuations that often have been unrelated or disproportionate to their results of operations. Market fluctuations could result in extreme volatility in the price of shares of our Class A common stock. Price volatility may be greater if the public float and trading volume of shares of our Class A common stock is low. Furthermore, in the past, stockholders have sometimes instituted securities class action litigation against companies following periods of volatility in the market price of their securities. For example, on April 13, 2023, and on May 16, 2023, we and certain of our executive officers and directors were named as defendants in two substantially similar securities class action lawsuits alleging that we violated Sections 10(b) and 20(a) of the Exchange Act and SEC Rule 10b-5, 17 C.F.R. § 240.10b-5, promulgated thereunder, and Sections 11 and 15 of the Securities Act of 1933, or the Securities Act, by making materially false and/or misleading statements about our business, operations and prospects. These two cases are captioned Shnayder v. Allbirds, Inc., et al., Case No. 23-cv-01811-AMO (N.D. Cal.); Delgado v. Allbirds, Inc., et al., Case No. 23-cv-02372-AMO (N.D. Cal.). On July 25, 2023, the court entered an order consolidating the two cases, appointing lead plaintiffs, and approving lead plaintiffs' selection of lead counsel. We intend to vigorously defend against these lawsuits. This specific litigation and any similar such litigation against us could result in substantial costs, divert management's attention and resources, and harm our business, financial condition, and results of operations.

If we fail to satisfy all applicable requirements of Nasdaq and it determines to delist our Class A common stock, the delisting could adversely affect the market liquidity of our Class A common stock and the market price of our Class A common stock could decrease.

Our Class A common stock is currently listed on the Nasdaq Global Select Market under the symbol "BIRD." To maintain the listing of our Class A common stock on the Nasdaq Global Select Market, we are required to meet certain listing requirements, including, a minimum closing bid price of $1.00 per share. On October 9, 2023, the closing bid price for our Class A common stock was below $1.00 for the first time. If the closing bid price for our Class A common stock is below $1.00 for a period of 30 consecutive business days, then, in accordance with Nasdaq Listing Rule 5810(c)(3)(A), we will have an initial period of 180 calendar days to regain compliance with Nasdaq's bid price requirement. If, at any time before the 180-day period ends, the bid price for our Class A common stock closes at $1.00 or more for a minimum of 10 consecutive business days, then we will regain compliance with the bid price requirement, unless Nasdaq staff exercised its discretion to extend this 10-day period pursuant to Nasdaq rules. We may be eligible for an additional 180-day period to regain compliance if we elect to transfer to the Nasdaq Capital Market to take advantage of the additional compliance period on that market. To qualify, we would need to meet the continued listing requirement for market value of publicly held shares and all other initial listing standards for the Nasdaq Capital Market, with the exception of the bid price requirement, and provide written notice to Nasdaq of our intention to cure the deficiency during the second compliance period by effecting a reverse stock split, if necessary.

There can be no assurance that we will maintain compliance with the requirements for listing our Class A common stock on Nasdaq. If we are unable to satisfy the Nasdaq criteria for continued listing, our Class A common stock would be subject to delisting. A delisting of our Class A common stock could negatively impact us by, among other things, reducing the liquidity and market price of our Class A common stock; reducing the number of investors willing to hold or acquire our Class A common stock, which could negatively impact our ability to raise equity financing; decreasing the amount of news and analyst coverage of us; and limiting our ability to issue additional securities or obtain additional financing in the future. In addition, delisting from Nasdaq may negatively impact our reputation and, consequently, our business.

The dual class structure of our common stock may adversely affect the trading market for our Class A common stock.

We cannot predict whether our dual class structure will result in a lower or more volatile market price of our Class A common stock or in adverse publicity or other adverse consequences. For example, certain index providers have announced restrictions on including companies with dual class or multi-class share structures in certain of their indexes. In July 2017, S&P Dow Jones announced changes to their eligibility criteria for the inclusion of shares of public companies on certain indices, including the S&P 500, the S&P MidCap 400, and the S&P SmallCap 600, to exclude companies with multiple classes of shares of common stock from being added to these indices; however, in April 2023, S&P Dow Jones announced its decision that companies with multiple share class structures will be considered eligible candidates for addition to the S&P Composite 1500 and its component indices provided they meet all other eligibility criteria. Beginning in 2017, MSCI, a leading stock index provider, opened public consultations on their treatment of no-vote and multi-class structures and temporarily barred new multi-class listings from certain of its indices; however, in October 2018, MSCI announced its decision to include equity securities "with unequal voting structures" in its indices and to launch a new index that specifically includes voting rights in its eligibility criteria. These policies are still fairly new, and it remains unclear what effect, if any, they will have on the valuations of publicly traded companies excluded from the indices in the longer term, but it is possible that they may depress these valuations compared to those of other similar companies that are included. Furthermore, we cannot assure you that other stock indices will not take a similar approach to S&P Dow Jones or FTSE Russell in the future. Exclusion from indices could make our Class A common stock less attractive to investors and, as a result, the market price of our Class A common stock could be adversely affected.

Sales, directly or indirectly, of a substantial amount of our Class A common stock in the public markets by our existing security holders may cause the price of our Class A common stock to decline.

Sales of a substantial number of shares of our Class A common stock (including any such shares issued upon conversion of shares of our Class B common stock) into the public market, particularly sales by our directors, executive officers, and principal stockholders, or the perception that these sales might occur, could cause the market price of our Class A common stock to decline. Many of our existing security holders have substantial unrecognized gains on the value of the equity they hold and may take steps to sell their shares or otherwise secure or limit their risk exposure to the value of their unrecognized gains on those shares. We are unable to predict the timing or effect of such sales on the market price of our Class A common stock.

In addition, as of December 31, 2023, we had stock options outstanding that, if fully exercised, would result in the issuance of 8,206,091 shares of Class B common stock and 5,043,892 shares of Class A common stock. All of the shares of common stock issuable upon the exercise of outstanding stock options, the 10,264,090 shares of Class A common stock reserved and available for future issuance under our 2021 Equity Incentive Plan, and the 5,236,950 shares of Class A common stock reserved and available for future issuance under our 2021 Employee Stock Purchase Plan are registered for public resale under the Securities Act. Accordingly, these shares will be able to be freely sold in the public market upon issuance subject to applicable vesting requirements.

Further, based on shares outstanding as of December 31, 2023, holders of a substantial number of shares of our Class B common stock had rights, subject to certain conditions, to require us to file registration statements for the public resale of such shares or to include such shares in registration statements that we may file for us or other stockholders.

The dual class structure of our common stock has the effect of concentrating voting control with our co-founders, Timothy Brown and Joseph Zwillinger, our directors, our principal stockholders, and their respective affiliates, which limits or precludes the ability of our other stockholders to influence corporate matters, including the election of directors and the approval of any change of control transaction.

Our Class B common stock has 10 votes per share and our Class A common stock has one vote per share. Mr. Zwillinger, our co-founder and Chief Executive Officer, and Mr. Brown, our co-founder and Chief Innovation Officer, our directors, our principal stockholders, and their respective affiliates beneficially own a significant percentage of the voting power of our outstanding capital stock.

These stockholders will have the ability to control the outcome of matters submitted to our stockholders for approval, including the election of our directors and the approval of any change of control transaction. This concentrated control will limit or preclude the ability of our other stockholders to influence corporate matters for the foreseeable future, including the election of directors, amendments of our organizational documents, and any merger, consolidation, sale of all or substantially all of our assets, or other major corporate transaction requiring stockholder approval. In addition, this may prevent or discourage unsolicited acquisition proposals or offers for our capital stock.

Future transfers by holders of Class B common stock will generally result in those shares converting to Class A common stock, subject to limited exceptions, such as certain transfers effected for estate planning purposes. The conversion of Class B common stock to Class A common stock will have the effect, over time, of increasing the relative voting power of those holders of Class B common stock who retain their shares in the long term.

We do not intend to pay dividends for the foreseeable future.

We have never declared or paid any cash dividends on our capital stock, and we do not intend to pay any cash dividends in the foreseeable future. We expect to retain future earnings, if any, to fund the development and growth of our business. Any future determination to pay dividends on our capital stock will be at the discretion of our board of directors.

Additional stock issuances could result in significant dilution to our stockholders.

We may issue additional equity securities to raise capital, to make acquisitions, or for a variety of other purposes. Additional issuances of our stock may be made pursuant to the exercise or conversion of new or existing convertible debt securities, warrants, stock options, or other equity incentive awards to new and existing service providers. Any such issuances will result in dilution to existing holders of our stock. We rely on equity-based compensation as an important tool in recruiting and retaining employees. The amount of dilution due to equity-based compensation of our employees and other additional issuances could be substantial.

Delaware law, our status as a public benefit corporation, and provisions in our amended and restated certificate of incorporation and amended and restated bylaws could make a merger, tender offer, or proxy contest more difficult, limit attempts by our stockholders to replace or remove our current management and depress the market price of our Class A common stock.

Provisions in our amended and restated certificate of incorporation and our amended and restated bylaws may discourage, delay or prevent a merger, acquisition or other change in control of us or tender offer that stockholders may consider favorable, including transactions in which stockholders might otherwise receive a premium for their shares. These provisions could also limit the price that investors might be willing to pay in the future for shares of our Class A common stock, thereby depressing the market price of our Class A common stock.

As a PBC, we may be less attractive as a takeover target than a traditional company. PBCs may also not be attractive targets for activists or hedge fund investors because new directors would still have to consider and give appropriate weight to the public benefit along with stockholder value, and stockholders can enforce this through derivative suits. Furthermore, by requiring the boards of directors of PBCs to consider additional constituencies other than maximizing stockholder value, Delaware PBC law could potentially make it easier for such a board to reject a hostile bid, even where the takeover would provide the greatest short-term financial yield to investors.

In addition, these provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management. Because our board of directors is responsible for appointing the members of our management team, these provisions could in turn affect any attempt by our stockholders to replace current members of our management team. Among others, these provisions include those that:

- provide for a dual class common stock structure in which holders of our Class B common stock may have the ability to control the outcome of matters requiring stockholder approval, including the election of directors and significant corporate transactions, such as a merger or other sale of our company or its assets, even if they own significantly less than a majority of the outstanding shares of our common stock;
- restrict the forum for certain litigation against us to Delaware or the federal courts, as applicable;
- provide that our board of directors has the exclusive right to expand the size of our board of directors and to elect directors to fill a vacancy created by the expansion of our board of directors or the resignation, death or removal of a director, which prevents stockholders from being able to fill vacancies on our board of directors;
- divide our board of directors into three classes, Class I, Class II, and Class III, with each class serving staggered three-year terms, which may delay the ability of stockholders to change the membership of a majority of our board of directors;
- provide that a special meeting of stockholders may be called only by the chair of our board of directors, a chief executive officer, or our board of directors, which may delay the ability of our stockholders to force consideration of a proposal or to take action, including the removal of directors;
- prohibit cumulative voting in the election of directors, which limits the ability of minority stockholders to elect director candidates;
- provide that our board of directors may alter our amended and restated bylaws without obtaining stockholder approval;
- require the approval of holders of at least two-thirds of the voting power of the shares of capital stock entitled to vote at an election of directors to adopt, amend, or repeal our amended and restated bylaws or repeal the provisions of our amended and restated certificate of incorporation regarding the election and removal of directors;
- require the approval of holders of at least two-thirds of the voting power of the shares of capital stock entitled to vote at an election of directors to amend or repeal any provisions of our amended and restated certificate of incorporation relating to our status as a PBC;
- require the approval of holders of at least two-thirds of the voting power of the shares of capital stock entitled to vote at an election of directors to merge or consolidate with or into another entity if, as a result of such merger or consolidation, the capital stock of Allbirds would become, or be converted into or exchanged for the right to receive, shares or other equity interests in a domestic or foreign corporation that is not a public benefit corporation or similar entity and the certificate of incorporation (or similar governing document) of which does not contain a public benefit provision identical to ours;
- require that stockholders must provide advance notice and additional disclosures in order to nominate individuals for election to our board of directors or to propose matters that can be acted upon at a stockholders' meeting, which may discourage or deter a potential acquirer from conducting a solicitation of proxies to elect the acquirer's own slate of directors or otherwise attempting to obtain control of our company; and
- authorize our board of directors to issue shares of preferred stock and to determine the terms of those shares, including preferences and voting rights, without stockholder approval, which could be used to significantly dilute the ownership of a hostile acquirer.

Moreover, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, or DGCL, which generally prohibits a person who owns in excess of 15% of our outstanding voting stock from merging or combining with us for a period of three years after the date of the transaction in which the person acquired in excess of 15% of our outstanding voting stock, unless the merger or combination is approved in a prescribed manner.

Our amended and restated certificate of incorporation provides that the Court of Chancery of the State of Delaware will be the sole and exclusive forum for certain stockholder litigation matters and the U.S. federal district courts will be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers, employees, or stockholders.

Our amended and restated certificate of incorporation provides that, unless we otherwise consent in writing, (A) (1) any derivative action or proceeding brought on our behalf, (2) any action asserting a claim of breach of a fiduciary duty owed by any current or former director, officer, other employee or stockholder of Allbirds to us or our stockholders, (3) any action asserting a claim arising pursuant to any provision of the DGCL, our amended and restated certificate of incorporation, or our amended and restated bylaws (as either may be amended or restated) or as to which the DGCL confers exclusive jurisdiction on the Court of Chancery of the State of Delaware, or (4) any action asserting a claim governed by the internal affairs doctrine of the law of the State of Delaware shall, to the fullest extent permitted by law, be exclusively brought in the Court of Chancery of the State of Delaware or, if such court does not have subject matter jurisdiction thereof, the federal district court of the State of Delaware; and (B) the federal district courts of the United States shall be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act. Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all such Securities Act actions, and thus both state and federal courts have jurisdiction to entertain such claims. Our amended and restated certificate of incorporation includes the provision outlined in (B) to prevent having to litigate claims in multiple jurisdictions and the threat of inconsistent or contrary rulings by different courts, among other considerations. Notwithstanding the foregoing, the exclusive forum provision shall not apply to claims seeking to enforce any liability or duty created by the Exchange Act.

The choice of forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers, or other employees, which may discourage such lawsuits against us and our directors, officers, and other employees, although our stockholders will not be deemed to have waived our compliance with federal securities laws and the rules and regulations thereunder. While the Delaware courts have determined that such choice of forum provisions are facially valid and several state trial courts have enforced such provisions and required that suits asserting Securities Act claims be filed in federal court, there is no guarantee that courts of appeal will affirm the enforceability of such provisions and a stockholder may nevertheless seek to bring a claim in a venue other than those designated in the exclusive forum provisions. In such an instance, we would expect to vigorously assert the validity and enforceability of the exclusive forum provisions of our amended and restated certificate of incorporation. This may require significant additional costs associated with resolving such action in other jurisdictions and there can be no assurance that the provisions will be enforced by a court in those other jurisdictions. If a court were to find either exclusive forum provision contained in our amended and restated certificate of incorporation to be inapplicable or unenforceable in an action, we may incur additional costs associated with litigating Securities Act claims in state court, or both state and federal court, which could harm our business, financial condition, and results of operations. Any person or entity purchasing or otherwise acquiring or holding any interest in shares of our capital stock shall be deemed to have notice of and consented to the forum provisions in our amended and restated certificate of incorporation.

General Risk Factors

Our estimates of market opportunity and forecasts of market growth may prove to be inaccurate, and even if the market in which we compete achieves the forecasted growth, our business could fail to grow at similar rates, if at all.

Market opportunity estimates and growth forecasts, including those we have generated ourselves, are subject to significant uncertainty and are based on assumptions and estimates that may not prove to be accurate. The variables that go into the calculation of our market opportunity are subject to change over time, and there is no guarantee that any particular number or percentage of individuals covered by our market opportunity estimates will purchase our products at all or generate any particular level of revenue for us. Even if the market in which we compete meets the size estimates and growth forecasts, our business could fail to grow for a variety of reasons outside of our control, including competition in our industry. If any of these risks materialize, it could harm our business and prospects.

We may seek to grow our business through acquisitions of, or investments in, new or complementary businesses, facilities, technologies, or products, or through strategic alliances; the failure to adequately manage these acquisitions, investments, or alliances, to integrate them with our existing business, or to realize anticipated returns, could adversely affect us.

From time to time, we may consider opportunities to acquire or make investments in new or complementary businesses, facilities, technologies, offerings, or products, or enter into strategic alliances, that may enhance our capabilities, expand our outsourcing and supplier network, complement our current products, or expand the breadth of our markets. Acquisitions, investments and other strategic alliances involve numerous risks, including:

- problems integrating the acquired business, facilities, technologies, or products, including issues maintaining uniform standards, procedures, controls, policies, and culture;
- unanticipated costs associated with acquisitions, investments, or strategic alliances;
- diversion of management's attention from our existing business;
- adverse effects on existing business relationships with suppliers, outsourced manufacturers, and other third parties;
- risks associated with entering new markets in which we may have limited or no experience;
- potential loss of key employees of acquired businesses; and
- increased legal and accounting compliance costs.

We may be unable to identify acquisitions or strategic relationships we deem suitable. Even if we do, we may be unable to successfully complete any such transactions on favorable terms or at all, or to successfully integrate any acquired business, facilities, technologies, or products into our business or retain any key personnel, suppliers, or customers. Furthermore, even if we complete such transactions and effectively integrate the newly acquired business or strategic alliance into our existing operations, we may fail to realize the anticipated returns and/or fail to capture the expected benefits, such as strategic or operational synergies or cost savings. The efforts required to complete and integrate these transactions could be expensive and time-consuming and may disrupt our ongoing business and prevent management from focusing on our operations. If we are unable to identify suitable acquisitions or strategic relationships, or if we are unable to integrate any acquired businesses, facilities, technologies, and products effectively, or if we fail to realize anticipated returns or capture expected benefits, our business, financial condition, and results of operations could be adversely affected.

The requirements of being a public company may increase our costs, strain our resources, divert management's attention, and affect our ability to attract and retain executive management and qualified board members.

As a public company, we are subject to the reporting requirements of the Exchange Act, the listing standards of Nasdaq, and other applicable securities rules and regulations. We expect that the requirements of these rules and regulations will continue to increase our legal, accounting, and financial compliance costs, make some activities more difficult, time-consuming, and costly, and place significant strain on our personnel, systems, and resources. Furthermore, several members of our management team do not have prior experience in running a public company. For example, the Exchange Act requires, among other things, that we file annual, quarterly, and current reports with respect to our business and results of operations. As a result of the complexity involved in complying with the rules and regulations applicable to public companies, our management's attention may be diverted from other business concerns, which could harm our business, financial condition, and results of operations. Although we have already hired additional employees to assist us in complying with these requirements, we may need to hire more employees in the future or engage outside consultants, which will increase our operating expenses.

In addition, changing laws, regulations, and standards relating to corporate governance and public disclosure are creating uncertainty for public companies, increasing legal and financial compliance costs, and making some activities more time-consuming. These laws, regulations, and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We intend to invest substantial resources to comply with evolving laws, regulations, and standards, and this investment may result in increased general and administrative expenses and a diversion of management's time and attention from business operations to compliance activities. If our efforts to comply with new laws, regulations, and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to their application and practice, regulatory authorities may initiate legal proceedings against us, and our business may be harmed. As a public company that is subject to these new rules and regulations, it has been more expensive for us to obtain director and officer liability insurance compared to as a private company, and we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. These factors could also make it more difficult for us to attract and retain qualified members of our board of directors, particularly members who can serve on our audit and compensation and leadership management committees, and qualified executive officers.

As a result of the disclosure obligations required of a public company, our business and financial condition is more visible than it was as a private company, which may result in an increased risk of threatened or actual litigation, including by competitors and other third parties. If such claims are successful, our business, financial condition, and results of operations would be harmed, and even if the claims do not result in litigation or are resolved in our favor, these claims, and the time and resources necessary to resolve them, would divert the resources of our management and harm our business, financial condition, and results of operations.

As a result of being a public company, we are obligated to develop and maintain proper and effective internal control over financial reporting, and any failure to maintain the adequacy of these internal controls may adversely affect investor confidence in our company and, as a result, the value of our Class A common stock.

We are required, pursuant to Section 404 of the Sarbanes-Oxley Act, or Section 404, to furnish a report by management on, among other things, the effectiveness of our internal control over financial reporting. This assessment requires disclosure of any material weaknesses identified by our management in our internal control over financial reporting. In addition, our independent registered public accounting firm will be required to attest to the effectiveness of our internal control over financial reporting in our first annual report required to be filed with the SEC following the date we are no longer an "emerging growth company." Our compliance with Section 404 has required and will continue to require that we incur substantial expenses and expend significant management efforts. We have and will likely need to hire additional accounting and financial staff with appropriate public company experience and technical accounting knowledge and compile the system and process documentation necessary to perform the evaluation needed to comply with Section 404.

During the evaluation and testing process of our internal controls, if we identify one or more material weaknesses in our internal control over financial reporting, we will be unable to certify that our internal control over financial reporting is effective. We cannot assure you that there will not be material weaknesses or significant deficiencies in our internal control over financial reporting in the future. Any failure to maintain internal control over financial reporting could severely inhibit our ability to accurately report our financial condition or results of operations. If we are unable to conclude that our internal control over financial reporting is effective, or if our independent registered public accounting firm determines we have a material weakness or significant deficiency in our internal control over financial reporting, we could lose investor confidence in the accuracy and completeness of our financial reports, the market price of our Class A common stock could decline, and we could be subject to sanctions or investigations by the SEC or other regulatory authorities. Failure to remedy any material weakness in our internal control over financial reporting, or to implement or maintain other effective control systems required of public companies, could also restrict our future access to the capital markets.

We are an "emerging growth company," and we cannot be certain if the reduced reporting and disclosure requirements applicable to emerging growth companies will make our Class A common stock less attractive to investors.

We are currently an "emerging growth company," as defined in the Jumpstart Our Business Startups Act of 2012, or JOBS Act, and we may take advantage of certain exemptions from reporting requirements that are applicable to other public companies that are not "emerging growth companies," including the auditor attestation requirements of Section 404, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a non-binding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. Pursuant to Section 107 of the JOBS Act, as an emerging growth company, we have elected to use the extended transition period for complying with new or revised accounting standards until those standards would otherwise apply to private companies. As a result, our consolidated financial statements may not be comparable to the financial statements of issuers who are required to comply with the effective dates for new or revised accounting standards that are applicable to public companies, which may make our Class A common stock less attractive to investors. In addition, if we cease to be an emerging growth company, we will no longer be able to use the extended transition period for complying with new or revised accounting standards.

We will remain an emerging growth company until the earliest of: (1) December 31, 2026, the last day of the fiscal year following the fifth anniversary of our initial public offering; (2) the last day of the first fiscal year in which our annual gross revenue is $1.235 billion or more; (3) the date on which we have, during the previous rolling three-year period, issued more than $1 billion in non-convertible debt securities; and (4) the date we qualify as a "large accelerated filer," with at least $700 million of equity securities held by non-affiliates.

We cannot predict if investors will find our Class A common stock less attractive if we choose to rely on these exemptions. For example, if we do not adopt a new or revised accounting standard, our future results of operations may not be comparable to the results of operations of certain other companies in our industry that adopted such standards. If some investors find our Class A common stock less attractive as a result, there may be a less active trading market for our Class A common stock, and our stock price may be more volatile.

If securities or industry analysts do not publish research, or publish inaccurate or unfavorable research, about our business, the price of our Class A common stock and trading volume could decline.

The trading market for our Class A common stock depends in part on the research and reports that securities or industry analysts publish about us or our business, our market and our competitors. We do not have any control over these analysts. If few securities analysts commence coverage of us, or if industry analysts cease coverage of us, the trading price for our Class A common stock would be negatively affected. If one or more of the analysts who cover us downgrade our Class A common stock or publish inaccurate or unfavorable research about our business, our Class A common stock price would likely decline. If one or more of these analysts cease coverage of us or fail to publish reports on us regularly, demand for our Class A common stock could decrease, which might cause our Class A common stock price and trading volume to decline.

We may incur losses from fraud or theft.

We have occasionally in the past incurred, and may in the future incur, losses from various types of fraud, including stolen credit card numbers, claims that a customer did not authorize a purchase, and merchant fraud. As a general matter, we are liable for fraudulent credit card transactions. Although we have measures in place to detect and reduce the occurrence of fraudulent activity on our digital platform, those measures may not always be effective. In addition to the direct costs of such losses, if the fraud is related to credit card transactions and becomes excessive, it could potentially result in us paying higher fees or affecting our ability to accept credit cards for payment. Our failure to adequately prevent fraudulent transactions could damage our reputation, result in litigation or regulatory action, and lead to expenses that could substantially impact our results of operations.

Additionally, we have occasionally in the past been, and may in the future be, subject to fraudulent purchases by individuals purchasing our products in bulk with the intention of unlawfully reselling such products at a premium. While we have taken steps to detect and prevent such practices, our failure to identify those activities may adversely affect our brand and reputation.

We have occasionally in the past incurred and may in the future incur losses from theft or "leakage" of our products in our stores or in our distribution centers. While we have taken steps to detect and prevent such issues, those steps may not always be effective. In addition to the direct costs of such losses, such theft or "leakage" of our products could result in lost revenue and unlawful reselling of our products, which could adversely affect our brand and reputation.

If our estimates or judgments relating to our critical accounting policies prove to be incorrect, our results of operations could be adversely affected.

The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the amounts reported in our consolidated financial statements and accompanying notes appearing in Part II, Item 8 of this Annual Report on Form 10-K. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, as provided in the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Estimates" in Part II, Item 7 of this Annual Report on Form 10-K. The results of these estimates form the basis for making judgments about the carrying values of assets, liabilities, and equity, and the amount of revenue and expenses. Significant estimates and judgments include revenue recognition, stock-based compensation, and the fair value of our common stock. Our results of operations may be adversely affected if our assumptions change or if actual circumstances differ from those in our assumptions, which could cause our results of operations to fall below the expectations of securities analysts and investors, resulting in a decline in the market price of our Class A common stock.

Extreme weather conditions, natural disasters, public health crises, political crises and instability, and other catastrophic events, including those caused or exacerbated by climate change, could negatively impact our results of operations and financial condition.

Extreme weather conditions and volatile changes in weather conditions in the areas in which our offices, retail stores, suppliers, customers, distribution centers, and vendors are located could adversely affect our results of operations and financial condition. Moreover, natural disasters such as earthquakes, hurricanes, tsunamis, floods, monsoons or wildfires, public health crises, such as pandemics and epidemics (including, for example, the COVID-19 pandemic), political crises, such as terrorist attacks, war and other political and geopolitcal instability, or other catastrophic events, whether occurring in the United States or abroad, and their related consequences and effects, including energy shortages, could disrupt our operations, the operations of our vendors and other suppliers, or result in economic instability that could negatively impact customer spending, any or all of which would negatively impact our results of operations and financial condition. For example, our principal offices are located in Northern California, an area which has a history of earthquakes and wildfires, and are thus vulnerable to damage or disruption. In particular, these types of events could impact our global supply chain, including the ability of vendors to provide raw materials where and when needed, the ability of third parties to manufacture and ship merchandise, and our ability to ship products to customers from or to the impacted region(s).

In February 2022, armed conflict escalated between Russia and Ukraine. The sanctions announced by the United States and other countries against Russia and Belarus following Russia's invasion of Ukraine to date include restrictions on selling or importing goods, services, or technology in or from affected regions and travel bans and asset freezes impacting connected individuals and political, military, business, and financial organizations in Russia and Belarus. The United States and other countries could impose wider sanctions and take other actions should the conflict further escalate. Although we do not currently do business in either Russia, Belarus, or Ukraine, it is not possible to predict the broader consequences of this ongoing conflict, which could include further sanctions, embargoes, regional instability, and geopolitical shifts. It is also not possible to predict with certainty this ongoing conflict's additional adverse effects on existing macroeconomic conditions, consumer spending habits, currency exchange rates, and financial markets, all of which have impacted and could further impact our business, financial condition, and results of operations.

We may require additional capital to support business growth, and this capital might be unavailable or might be available only by diluting existing stockholders.

We intend to continue making investments to support our business growth and may require additional funds to support this growth. Our future capital requirements will depend on many factors, including our rate of revenue growth, the timing and extent, if any, of international expansion efforts and other growth initiatives, the expansion of our marketing activities and overall economic conditions. To the extent that current and anticipated future sources of liquidity are insufficient to fund our future business activities and requirements, we may need to engage in equity or debt financings to secure additional funds. Recently, there has been volatility in and disruptions to the global economy, including the equity and debt financial markets. Any such volatility in and disruptions to the equity or debt markets, or further deterioration of such markets, including as a result of political unrest or war, may make any necessary equity or debt financing more difficult to obtain in a timely manner or on favorable terms, more costly or more dilutive. If we raise additional funds through further issuances of equity or convertible debt securities, our existing stockholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences and privileges superior to those of holders of our Class A common stock. Any debt financing secured by us in the future could involve restrictive covenants relating to our capital raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities. In addition, we may not be able to obtain additional financing on terms favorable to us, if at all. If we are unable to obtain adequate financing or financing on terms satisfactory to us, when we require it, our ability to continue to support our business growth and to respond to business challenges could be significantly limited, and our business and prospects could fail or be adversely affected.

Item 1B. Unresolved Staff Comments

None.

Item 1C. Cybersecurity

Cybersecurity Risk Management and Strategy

Information technology is important to our business operations and we are committed to protecting the privacy, security and integrity of our data, as well as our employee and customer data. Accordingly, we monitor and update our information technology networks and infrastructure to prevent, detect, address and mitigate risks associated with unauthorized access, misuse, computer viruses and other events that could have a security impact. Additionally, to protect and secure sensitive data such as customer information, we employ multi-factor authentication, a suite of security tools, systems monitoring and alerting, audit logs, and controls across our major systems, corporate devices, and business processes. Our cybersecurity process is designed to assess, identify, prevent, and manage cybersecurity risks and threats, as well as identify, contain and respond to cybersecurity incidents. This process includes a variety of activities, such as company-wide security awareness training, including regular phishing simulations, acceptable use training, cyber wellness trainings and other targeted trainings throughout the year. These cybersecurity trainings provide employees the opportunity to gain an understanding of the various forms of cybersecurity incidents and enable our employees to handle and report any suspicious activity or threat.

To date, our approach to cybersecurity has been effective in protecting the confidentiality, integrity, and availability of our information; however, we cannot guarantee that its efforts will be successful in preventing all cybersecurity incidents. Further, we currently maintain a cyber insurance policy that provides coverage for security breaches; however, such insurance may not be sufficient in type or amount to cover us against claims related to security breaches, cyber-attacks and other related breaches.

We do not believe that there are currently any known risks from cybersecurity threats, including as a result of any prior cybersecurity incidents, that are reasonably likely to materially affect us or our business strategy, results of operations or financial condition. Refer to Part I, Item 1A of this Annual Report on Form 10-K for additional discussion about cybersecurity related risks.

Cybersecurity Governance

Given that cybersecurity is a critical component of our enterprise, cybersecurity risks are among the enterprise risks that the Board oversees, primarily through delegation to the Audit Committee of the Board. As reflected in its charter, the Audit Committee assists the Board in overseeing the Company's privacy and information security policies.

The Audit Committee engages on cybersecurity matters with our management team, including our Chief Technology and Culture Officer, and receives periodic reports from management on cybersecurity. Our Chief Technology and Culture Officer joined us in 2017 and has more than 20 years of technology-related roles and responsibilities. These presentations address a range of topics including, the threat landscape and cybersecurity events, vulnerability assessments, incident preparedness assessments, and cybersecurity awareness training. In addition, management updates the Audit Committee, as necessary, regarding any material cybersecurity incidents, as well as any incidents with lesser impact potential. The Board receives regular updates on the activities of the Audit Committee, including with regard to cybersecurity oversight.

Our management team, including the Chief Technology and Culture Officer and General Counsel, is responsible for assessing and managing our material risks from cybersecurity threats. The team has primary responsibility for our overall cybersecurity risk management and supervises both our internal and external cybersecurity resources. Our management team supervises efforts to prevent, detect, mitigate, and remediate cybersecurity risks and incidents through various means, which may include briefings from internal personnel; threat intelligence and other information obtained from governmental, public or private sources, and alerts and reports produced by security tools deployed in the IT environment.

Item 2. Properties

As of December 31, 2023, we operated 60 retail locations around the world. Our corporate headquarters is located in San Francisco, California, where we lease approximately 33,000 square feet of space under two leases that expire in December 2026. In addition to our corporate headquarters, we have satellite corporate office locations in Portland, London, Shanghai, Tokyo, and Ho Chi Minh City where we lease or have co-working arrangements that total approximately 30,000 square feet of office space. We use our corporate offices for product design and development, innovation around sustainable materials, operations, marketing, technology, and customer experience, as well as our other supporting teams. All of our offices and retail locations are leased, and we do not own any real property.

As of December 31, 2023, we also leased property in the following countries around the world that serve as our 60 retail locations, totaling approximately 190,000 square feet, as set forth below.

Country	# of Stores
United States	45
China	6
United Kingdom	3
Japan	2
Germany	2
Netherlands	1
New Zealand	1
Total retail stores	60

While we believe that our current facilities are adequate to meet our foreseeable needs, we may lease additional facilities or vacate existing facilities as our operations require. For example, we have vacated and currently sublease two corporate office spaces in San Francisco and San Diego.

Item 3. Legal Proceedings

From time to time, we may be subject to legal proceedings, claims, and government investigations in the ordinary course of business.

On April 13, 2023, and on May 16, 2023, we and certain of our executive officers and directors were named as defendants in two substantially similar securities class action lawsuits, captioned Shnayder v. Allbirds, Inc., et al., Case No. 23-cv-01811-AMO and Delgado v. Allbirds, Inc., et al., Case No. 23-cv-02372-AMO, filed in the United States District Court for the Northern District of California. These lawsuits allege that we violated Sections 10(b) and 20(a) of the Exchange Act and SEC Rule 10b-5, 17 C.F.R. § 240.10b-5, promulgated thereunder, and Sections 11 and 15 of the Securities Act by making materially false and/or misleading statements about our business, operations and prospects. The plaintiffs seek damages in an unspecified amount. On July 25, 2023, the court entered an order consolidating the two cases, appointing lead plaintiffs, and approving lead plaintiffs' selection of lead counsel. On September 15, 2023, lead plaintiffs filed a consolidated amended complaint against the same group of defendants and asserting the same claims. We filed a motion to dismiss the consolidated complaint on November 3, 2023. We intend to vigorously defend against this lawsuit.

On October 3, 2023, we and certain of our executive officers and directors were named as defendants in a shareholder derivative suit, captioned Park v. Zwillinger, et al., Case No. 23-cv-01092-CFC, filed in the United States District Court for the District of Delaware. This lawsuit alleges violations of Section 14(a) of the Exchange Act, contribution under Section 21D of the Exchange Act, breach of fiduciary duties, and aiding and abetting based on allegations that are substantially similar to those asserted in the securities class action. On October 13, 2023, we and certain of our past and current executive officers and directors were named as defendants in a substantially similar shareholder derivative suit, captioned Junker v. Zwillinger, et al., Case No. 23-cv-01152-CFC, filed in the United States District Court for the District of Delaware. This lawsuit alleges breach of fiduciary duties, unjust enrichment, violations of Section 10(b) of the Exchange Act, contribution under Section 11(f) of the Securities Act and Section 21D of the Exchange Act, and waste of corporate assets based on allegations that are substantially similar to those asserted in the securities class action and are currently stayed. We intend to vigorously defend against these lawsuits.

The results of any current or future litigation cannot be predicted with certainty, and regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources, harm to our brand and reputation, and other factors.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Price of Our Class A Common Stock

Our Class A common stock, par value $0.0001 per share, is listed on The Nasdaq Stock Market under the symbol "BIRD" and began trading on November 3, 2021. Prior to that date, there was no public trading market for our Class A common stock.

Holders of Record

As of February 29, 2024, we had 18 holders of record of our Class A common stock and 27 holders of record of our Class B common stock. Because many of our shares of Class A common stock are held in street name by brokers and other nominees on behalf of stockholders, we are unable to estimate the total number of beneficial owners of our Class A common stock represented by these holders of record.

Dividend Policy

We have never declared or paid any cash dividends on our capital stock, and we do not intend to pay any cash dividends in the foreseeable future. We expect to retain future earnings, if any, to fund the development and growth of our business. Any future determination to pay dividends on our capital stock will be at the discretion of our board of directors.

Unregistered Sales of Equity Securities

None.

Issuer Purchases of Equity Securities

None.

Item 6. [Reserved]

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations relates to our operations and financial condition reported in the consolidated financial statements for the fiscal years ended December 31, 2023 and December 31, 2022 and should be read in conjunction with our consolidated financial statements and related notes appearing elsewhere in this Annual Report on Form 10-K. As discussed in the section titled "Special Note Regarding Forward-Looking Statements," the following discussion and analysis contains forward-looking statements that involve risks and uncertainties, as well as assumptions that, if they never materialize or prove incorrect, could cause our results to differ materially from those expressed or implied by such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those identified below, and those discussed in the section titled "Risk Factors" included under Part I, Item 1A, above.

Overview

Allbirds is a global lifestyle brand that innovates with sustainable materials to make better footwear and apparel products in a better way, while treading lighter on our planet.

We generate our revenue via sales of footwear and apparel products, primarily through our direct business, a digitally-led vertical retail distribution strategy. We generally market directly to consumers via our localized multilingual digital platform and our physical footprint of 60 stores as of December 31, 2023. In addition to our direct business, we selectively partner with third-parties, including retailers and distributors, to sell our products through their channels, which helps us reach more consumers and increase brand awareness.

Designing and creating products using innovative, sustainable materials is a challenging process for both us and our supply chain partners. We have invested time and resources to train our manufacturers to use our natural materials, which we believe makes it difficult to replicate our novel manufacturing processes at our product quality.

Financial Highlights

For the years ended December 31, 2023 and 2022:

- We generated net revenues of $254.1 million and $297.8 million, respectively.
- Our gross margin was 41.0% and 43.5%, respectively.
- We generated net losses of $152.5 million and $101.4 million, respectively.
- We generated adjusted EBITDA losses of $78.5 million and $60.4 million, respectively.

Adjusted EBITDA is a financial measure that is not calculated in accordance with generally accepted accounting principles in the United States, or GAAP. See the section titled "Non-GAAP Financial Measures" below for the definition of adjusted EBITDA, as well as a reconciliation of adjusted financial measures to their most directly comparable GAAP financial measures.

Recent Developments

March 2023 Strategic Transformation

In March 2023, we announced the implementation of a strategic transformation plan designed to reignite growth in the coming years, as well as improve capital efficiency, and drive profitability. The plan focuses on four key areas.

Our product and brand initiatives include increasing focus on our core franchises, through a concentration on comfort and quality and better commercialization of our innovative materials, as well as a highly focused brand strategy that reconnects with core consumers. We expect these initiatives to begin to impact the business in 2024.

Our store-based distribution initiatives in the United States include optimizing our existing store fleet and selectively expanding our third party distribution channels. Store optimization will include slowing the pace of new store openings, closing certain stores that do not meet our profitability targets, and investing in corporate and retail store talent and store marketing. As of December 31, 2023, we had completed all planned new store openings and we continue to evaluate ways to optimize our existing store fleet, which includes the planned closure of 10-15 stores in 2024.

Our international go-to-market strategy initiative encompasses evaluating ways to reduce complexity and grow internationally in a cost- and capital-efficient manner. In the third quarter of 2023, we signed distribution agreements with independent third-party distributors in South Korea and Canada, and completed the transition of these businesses. Subsequently, we signed distribution agreements with independent third-party distributors in Australasia and Japan, with transitions expected in mid-year 2024. Distributors oversee the distribution of our products, purchased from us, across eCommerce, brick and mortar, and wholesale channels in their respective territories and are required to allocate dedicated brand and marketing resources to their operations for us. We may continue to enter into similar distribution arrangements with third parties in other international markets, which we expect to impact both our short and long term results of operations. The distributor model will result in a reduction to net revenue and gross profit in the near term, because the selling price to distributors will be below the full price we have historically sold to our direct consumers. Because we expect lower operating expenses as compared to the direct model, we also expect these transitions to improve adjusted EBITDA profitability and inventory efficiency, while also helping to reduce overall complexity in our business.

Our cost savings and capital efficiency initiatives build upon cost and cash optimization work that we began in 2022, including a further reduction in global corporate workforce of approximately 9% in May 2023. This also included plans to fully transition to a new footwear manufacturing partner, which we completed in 2023. We anticipate that these initiatives will potentially accelerate cost of revenue, selling, general, and administrative expense, and cash optimization savings over the next three years.

Related to these initiatives, we recognized restructuring expenses of $6.8 million in the year ended December 31, 2023, which is recorded within restructuring expense on the consolidated statement of operations and comprehensive loss. These expenses primarily consist of third-party professional fees and other related charges.

August 2022 Simplification Initiatives

In August 2022, we announced the implementation of simplification initiatives designed to generate cost of revenue savings, streamline workflows, and lower operating costs. These initiatives focused on reducing costs related to our supply chain and selling, general, and administrative expense. We substantially completed these simplification initiatives in the fourth quarter of 2022, which resulted in annualized selling, general, and administrative expense savings of approximately $13 million to $15 million.

Our supply chain initiatives included reducing logistics costs in the United States by transitioning to automated distribution centers and a dedicated returns processor, optimizing inventory to accelerate logistics cost savings, which included inventory write-downs and write-offs over certain products, and accelerating the scaling of our manufacturing base to reduce product carbon footprint and product costs over time. We recognized costs of $19.1 million primarily related to the write-down and liquidation of certain first generation apparel products in the year ended December 31, 2022, which are recorded within cost of revenue on the consolidated statement of operations and comprehensive loss. We also recognized revenue of $2.0 million primarily related to the liquidation of certain first generation apparel products in the year ended December 31, 2022, which is recorded within net revenue on the consolidated statement of operations and comprehensive loss. Subsequent write-downs of inventory are recognized as part of our regular reviews of end of life, slow-moving, damaged, and excess inventory as described in more detail in Note 2. *Significant Accounting Policies,* in Item 8. “Financial Statements and Supplementary Data”.

Our selling, general, and administrative expense initiatives included slowing the pace of corporate new hires and backfills for departing employees, reducing our global corporate workforce, and reducing corporate office space to reflect a new hybrid working environment. Related to this, we recognized restructuring expenses of $0.8 million in the year ended December 31, 2022, which is recorded within restructuring expense on the consolidated statement of operations and comprehensive loss. These expenses are primarily related to severance and other employee termination-related costs resulting from the reductions of our global corporate workforce in 2022 and 2023. In 2022 and 2023, we began subleasing two of our corporate office leases in the United States to other tenants.

Key Factors Affecting Our Performance

Our financial and operating conditions have been, and will continue to be affected by a number of factors, including:

Ability to Grow Brand Awareness and Drive Efficient Customer Acquisition

The ability to communicate our mission of making better things in a better way is integral to our success in engaging new customers and introducing them to our products and brand. Allbirds is still relatively unknown to consumers worldwide, underscoring a large opportunity to scale our customer base and drive future growth. Our continued focus on elevating our product offerings combined with our differentiated brand approach and authenticity is critical to attracting new customers and increasing closet share. Further, we must continue to emphasize our commitment to people, the planet, and our stockholders in order to further increase our reach and highlight the integrity of our brand. We believe our brand strength will enable us to continue to grow brand awareness, allowing us to deepen relationships with consumers and expand our access to global markets.

As we continue to scale and build our global brand awareness, our goal is to acquire new customers in a cost-effective way. We will continue to evaluate our go-to-market strategy, both in the U.S. and internationally, and invest in customer acquisition while the underlying customer unit economics indicate the return on investment is strong. The continued execution of our customer acquisition strategy is key to acquiring more customers and driving growth and profitability for our business. Our ability to acquire more customers depends significantly on a number of factors, including the level and pattern of consumer spending in the product categories in which we operate and our ability to expand our brand awareness. We also partner with select third-party retailers and distributors to sell our products in our effort to reach more consumers and build brand awareness.

Growth Within Existing Customer Base and Increasing Closet Share

In addition to seeking to acquire new customers, we continuously seek ways to engage with our base of existing customers. We aim to grow our closet share within our existing customer base by focusing and developing on our core franchises. We believe we must continue to both innovate with new products and focus on core products in order to drive consumer engagement and increase our closet share. While we continue to do this, we must constantly evaluate and improve our strategy to anticipate current and future consumer preferences and demands. At the same time, it is critical that we maintain our commitment to offering comfortable and sustainable products. In connection with our strategic transformation plan announced in March 2023, we are refocusing our product strategy on our core franchise products. Our growth within our existing customer base will depend in part on our success focusing our product strategy to appeal to our existing customers.

Execution of Our Vertical Retail Distribution and Omni-Channel Strategy and Optimization of Our Store Fleet

Our long-term growth strategy relies on our ability to grow across our digital and retail channels, while still maintaining our goal of long-term profitability. We believe an omni-channel buying experience is important to meeting the needs of our customer base. Although we continue to view retail stores as key to reaching new customers and increasing penetration of omni-channel customers, we plan to try to optimize our store fleet and focus on ensuring that our retail stores are efficiently driving customer acquisition. These optimization efforts include a combination of efforts, including evaluating new store openings, slowing the pace of new retail store openings, closing existing stores, investing in store marketing, expanding our third-party partnerships, and exploring the use of third-party distributors in certain international markets, such as the distribution agreements entered into in September 2023 with distributors in Canada and South Korea, and the additional distribution agreements we expect to enter into in other international markets.

Our store count by primary geographical market is presented in the table below, as of the dates presented:

	Store Count by Primary Geographical Market								
	December 31, 2021	March 31, 2022	June 30, 2022	September 30, 2022	December 31, 2022	March 31, 2023	June 30, 2023	September 30, 2023	December 31, 2023
United States	23	27	32	38	42	42	44	45	45
International[1]	12	12	14	13	16	17	18	15	15
Total	35	39	46	51	58	59	62	60	60

Growing Our Product Innovation Platform

Innovation has been core to the Allbirds brand since our inception in 2015. Our future innovation and product pipeline will depend, in part, on our ability to apply our expertise in materials science to source and commercialize materials that are sustainable, durable, and comfortable. Our success in leveraging these materials in our products is partially reliant on the ability of our manufacturing and supply chain partners to produce and distribute these materials at scale. It also takes months of testing before we commercialize new materials and products, which could cause delays in our existing growth plans. In addition, these initiatives may require ongoing investments that could delay our ability to achieve medium to long-term profitability.

Ability to Scale Infrastructure for Profitable Growth

To grow our business, we intend to continue to improve our operational and capital efficiencies and thoughtfully optimize our infrastructure. Our ability to scale relies upon our supply chain infrastructure. We believe our investments in direct and meaningful relationships with all of our partners, from raw materials suppliers to Tier 1 manufacturers and logistics providers, helps put us on a path of achieving profitable growth in the future. We will continue to make similar investments in developing relationships across the full supply chain. Most importantly, we are firmly committed to reducing our carbon footprint and our environmental impact. This commitment may require current and future investments, which may result in higher expenses.

Current Macroeconomic Conditions and Trends

Consumers are increasingly becoming more conscious of the products they purchase and are seeking brands that are responsible and purpose-driven. Consumers' increasing care in the products and brands they trust has contributed to continued demand for our products. Our status as a PBC and a B Corp highlight our commitment to sustainability and our purpose while providing an objective reference point for consumers. As a purpose-native company, we believe we are well-positioned at the intersection of key macro trends impacting our industry.

However, we continue to monitor and respond to evolving developments regarding recent macroeconomic events including elevated inflation, rising interest rates, liquidity concerns at, and failures of, banks and other financial institutions, supply chain disruptions, fluctuations in currency exchange rates, and geopolitical conflicts, which have led to further economic uncertainty in the global economy. These macroeconomic conditions have had and are likely to continue

[1] In the third quarter of 2022, we opened two new international stores and had three store leases expire, resulting in a net reduction of one lease. In the third quarter of 2023, we transitioned the operations of three international stores to distributors.

to have adverse consequences on consumer spending, including the buying patterns of our customers and prospective customers. See the section titled "Risk Factors—Risks Related to Our Business, Brand, Products, and Industry" in Part I, Item 1A. Risk Factors, for further details.

Seasonality

Our business is affected by general seasonal trends common to the retail footwear and apparel industry, with sales typically lower in the first quarter of the year and typically higher during the end-of-year holiday period that falls within our fourth quarter.

Components of Results of Operations

Net Revenue

We generate net revenue primarily from sales of our footwear and apparel products. We sell products directly through our own digital channels (including our websites and mobile app), our leased retail stores, and third-party retailers and distributors. As of December 31, 2023, the majority of our sales are through our digital channels and leased retail stores. Revenue is recognized when we satisfy our performance obligation by transferring control of the promised goods to the customer, net of allowances for returns, discounts, and any taxes collected from customers. This occurs either upon shipment or upon receipt, depending on the terms of sale. We expect overall sales to decline in 2024, primarily driven by the planned closure of 10-15 stores in the United States and the international transitions as described above.

Cost of Revenue

Cost of revenue consists primarily of the cost of purchased inventory, inbound and outbound shipping costs, import duties, distribution center and related equipment costs, and inventory write-downs or write-offs. Shipping costs to receive products from our suppliers are included in the cost of inventory and recognized as cost of revenue upon the sale of products to our customers. We generally expect our cost of revenue to decrease or increase in absolute dollars in line with net revenue fluctuations.

Gross Profit and Gross Margin

Gross profit represents net revenue less the cost of revenue. Gross margin is gross profit expressed as a percentage of net revenue. Our gross margin may fluctuate from period to period based on a number of factors, including business outcomes, the mix of products we sell in different geographies and channels, price increases, promotional activities, the innovation initiatives we undertake in each product category, cost drivers (including commodity prices, transportation rates, manufacturing costs), and inventory write-downs or write-offs, among other factors. We expect that these factors will result in a stronger gross margin profile in 2024 and beyond.

Operating Expense

Selling, General, and Administrative expense

Selling, general, and administrative expense ("SG&A expense") consists of personnel and related costs including salaries, benefits, bonuses, and stock-based compensation for our corporate and retail employees, third-party professional fees, information technology, payment processing fees, fixed and variable lease costs for corporate offices and retail stores, depreciation and amortization, software costs, legal fees, and other administrative costs associated with operating the business.

During 2022 and 2023, we reduced our global corporate workforce by 8% and 9%, respectively, and subleased two of our corporate offices in the United States as part of an effort to streamline workflows and lower operating cost, as well as executing on certain other cost control actions, including reducing our hiring and cutting discretionary spending. We expect these actions, together with our strategic transformation plan on cost and cash optimization, as announced in March 2023, to reduce certain costs included in SG&A expense, however, the changing prices of goods and services caused by inflation and other macroeconomic factors may cause fluctuations in SG&A expense, notwithstanding our cost control actions.

Marketing Expense

Marketing expense consists of advertising costs incurred to acquire new customers, retain existing customers, and build our brand awareness. We expect marketing expense as a percentage of net revenue to continue to decrease as we manage our costs and respond to the promotional environment, and are prioritizing our marketing spend to align with our product strategy.

Impairment Expense

Impairment expense consists of non-cash impairment charges relating to long-lived assets, which include property and equipment and operating lease right-of-use assets. Impairments are determined using our judgment about our anticipated ability to continue to use long-lived assets, current market and economic conditions, and their effects based on information available as of the date of these consolidated financial statements.

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset group to future undiscounted net cash flows expected to be generated by the assets. If the carrying amount of an asset group exceeds its estimated undiscounted net future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset group exceeds its fair value.

Restructuring Expense

Restructuring expense consists of professional service fees, severance and other employee-related benefits, and other miscellaneous costs associated with exit and disposal activities. We expect restructuring expense to decrease in 2024 as compared to 2023, as a result of the execution of our March 2023 strategic transformation plan.

Loss from Sales of Businesses

Loss from sales of businesses consists of losses associated with the sale of certain net assets used in connection with the operations of our businesses in South Korea and Canada, in September 2023, based on the difference between the net book value of assets and liabilities sold against the consideration received.

Interest Income

Interest income primarily consists of interest income generated from our cash and cash equivalents, offset by interest expense associated with our credit agreement with JPMorgan Chase Bank, N.A, which we refer to as our Credit Agreement. We expect interest income and expense to fluctuate based on our future bank balances, credit line utilization, and the interest rate environment.

Other (Expense Income

Other (expense) income consists of gains or losses on foreign currency, gains or losses on sales of property and equipment, and changes in the fair value of our equity investments.

Income Tax Provision

Our provision for income taxes consists of U.S. federal and state income taxes and income taxes in certain foreign jurisdictions in which we conduct business. We record deferred tax assets and liabilities based on differences between the book and tax bases of assets and liabilities. The deferred tax assets and liabilities are calculated by applying enacted tax rates and laws to taxable years in which such differences are expected to reverse. Because we have a recent history of pre-tax book losses and are expected to be in a pre-tax book loss position in the near term, a valuation allowance was maintained against the deferred tax assets in the United States, Canada, Vietnam, and Hong Kong as of December 31, 2023.

Results of Operations

The following tables set forth our results of operations for the periods presented in dollars and as a percentage of net revenue:

	Year Ended December 31, 2023	2022
	(in thousands)	
Consolidated Statements of Operations Data:		
Net revenue	$ 254,065	$ 297,766
Cost of revenue	149,833	168,138
Gross profit	104,232	129,628
Operating expense:		
Selling, general, and administrative expense(1)(2)	174,044	166,736
Marketing expense	49,042	59,109
Impairment expense	27,392	3,286
Restructuring expense	6,757	782
Total operating expense	257,235	229,913
Loss from operations	(153,003)	(100,285)
Loss from sales of businesses	(2,761)	—
Interest income	4,076	19
Other (expense) income	(436)	139
Loss before provision for income taxes	(152,124)	(100,127)
Income tax provision	(334)	(1,227)
Net loss	$ (152,458)	$ (101,354)
Other comprehensive loss:		
Foreign currency translation gain (loss)	276	(4,277)
Total comprehensive loss	$ (152,182)	$ (105,631)

(1) Includes stock-based compensation expense of $19.3 million and $19.0 million for the years ended December 31, 2023 and 2022, respectively.

(2) Includes depreciation and amortization expense of $21.1 million and $15.8 million for the years ended December 31, 2023 and 2022, respectively.

	Year Ended December 31,	
	2023	2022
Consolidated Statements of Operations Data, as a Percentage of Net Revenue:		
Net revenue	100.0 %	100.0 %
Cost of revenue	59.0 %	56.5 %
Gross profit	41.0 %	43.5 %
Operating expense:		
Selling, general, and administrative expense	68.5 %	56.0 %
Marketing expense	19.3 %	19.9 %
Impairment expense	10.8 %	1.1 %
Restructuring expense	2.7 %	0.3 %
Total operating expense	101.2 %	77.2 %
Loss from operations	(60.2)%	(33.7)%
Loss from sales of businesses	(1.1)%	— %
Interest income	1.6 %	0.0 %
Other (expense) income	(0.2)%	0.0 %
Loss before provision for income taxes	(59.9)%	(33.6)%
Income tax (provision) benefit	(0.1)%	(0.4)%
Net loss	(60.0)%	(34.0)%
Other comprehensive loss:		
Foreign currency translation gain (loss)	0.1 %	(1.4)%
Total comprehensive loss	(59.9)%	(35.5)%

Comparison of the Years Ended December 31, 2023 and 2022

Net Revenue

	Year Ended December 31,			
	2023	2022	$ Change	% Change
	(dollars in thousands)			
Net revenue	$ 254,065	$ 297,766	$ (43,701)	(14.7)%

Net revenue decreased by $43.7 million, or 14.7%, for the year ended December 31, 2023 as compared to the year ended December 31, 2022. Our net revenue decrease was primarily driven by a lower average selling price, resulting from increased promotional activity. This was partially offset by an increase in third-party net revenue.

Cost of Revenue, Gross Profit, and Gross Margin

	Year Ended December 31,			
	2023	2022	$ Change	% Change
	(dollars in thousands)			
Cost of revenue	$ 149,833	$ 168,138	$ (18,305)	(10.9)%
Gross profit	104,232	129,628	$ (25,396)	(19.6)%
Gross margin	41.0 %	43.5 %		(5.8)%

Cost of revenue decreased by $18.3 million, or 10.9%, for the year ended December 31, 2023 as compared to the year ended December 31, 2022. The decrease was primarily driven by decreases in freight costs, inventory write-downs, and product costs.

Gross profit decreased by $25.4 million, or 19.6%, in the year ended December 31, 2023 as compared to the year ended December 31, 2022. The decrease in gross profit was primarily driven by the decrease in net revenue at a higher rate than cost of revenue, as reflected in the percent changes above and for each for the factors described above.

Gross margin declined from 43.5% to 41.0% for the year ended December 31, 2023 as compared to the year ended December 31, 2022, primarily due to a lower average selling price in our direct business as a result of increased promotional activity.

Operating Expenses

	Year Ended December 31,			
	2023	2022	$ Change	% Change
	(dollars in thousands)			
Operating expense:				
Selling, general, and administrative expense	$ 174,044	$ 166,736	$ 7,308	4.4 %
Marketing expense	49,042	59,109	(10,067)	(17.0)%
Impairment expense	27,392	3,286	24,106	733.6 %
Restructuring expense	6,757	782	5,975	764.1 %
Total operating expense	$ 257,235	$ 229,913	$ 27,322	11.9 %

Selling, general, and administrative expense

Selling, general, and administrative expense increased $7.3 million, or 4.4%, for the year ended December 31, 2023 as compared to the year ended December 31, 2022. The increase was primarily driven by: a $5.3 million increase in depreciation and amortization due to more stores operating throughout the year, a $3.6 million increase in third-party professional fees and consulting services, and $3.4 million increase in rent and utilities due to more stores in operation, and $1.9 million in personnel and related expenses. These increases were partially offset by decreases of $1.6 million in insurance costs, $1.4 million in credit card and bank fees, and $1.0 million in common stock warrant expense, as well as reductions in retail development costs, employee travel and expense, and other miscellaneous operating expenses.

Marketing expense

Marketing expense decreased $10.1 million, or 17.0%, for the year ended December 31, 2023 as compared to the year ended December 31, 2022. The decrease was primarily driven by decreased digital advertising spend for performance marketing.

Impairment expense

Impairment expense increased by $24.1 million for the year ended December 31, 2023 as compared to the year ended December 31, 2022, as a result of the non-cash impairment of property and equipment and operating lease right-of-use assets associated with certain of our retail stores.

Restructuring expense

Restructuring expense increased by $6.0 million for the year ended December 31, 2023 as compared to the year ended December 31, 2022, and consisted primarily of higher professional service fees, severance, and other employee-related benefits incurred as part of our March 2023 strategic transformation plan.

Interest Income

	Year Ended December 31,			
	2023	2022	$ Change	% Change
	(dollars in thousands)			
Interest income	$ 4,076	$ 19	$ 4,057	21352.6 %

Interest income increased by $4.1 million, for the year ended December 31, 2023 as compared to the year ended December 31, 2022. The increase was driven by an increase in interest income on our money market funds.

Other (Expense) Income

	Year Ended December 31,			
	2023	2022	$ Change	% Change
	(dollars in thousands)			
Other (expense) income	$ (436)	$ 139	$ (575)	(413.7)%

Other (expense) income decreased by $0.6 million, for the year ended December 31, 2023 resulting in expense in 2023 as compared to income in the year ended December 31, 2022. The decrease was primarily due to a fluctuations in foreign currency.

Income Tax Provision

	Year Ended December 31,			
	2023	2022	$ Change	% Change
	(dollars in thousands)			
Income tax provision	$ (334)	$ (1,227)	$ 893	(72.8)%

Income tax provision decreased by $0.9 million, or 72.8%, for the year ended December 31, 2023 compared to the year ended December 31, 2022, primarily due to a mix of taxable income in foreign jurisdictions that resulted in differences in the effective tax rates.

Non-GAAP Financial Measures

This Annual Report on Form 10-K and accompanying financial tables include references to adjusted EBITDA and adjusted EBITDA margin, which are non-GAAP financial measures. We believe that these non-GAAP financial measures, when reviewed in conjunction with GAAP financial measures, and not in isolation or as substitutes for analysis of our results of operations under GAAP, are useful to investors as they are widely used measures of performance, and the adjustments we make to these non-GAAP financial measures provide investors further insight into our profitability and additional perspectives in comparing our performance to other companies and in comparing our performance over time on a consistent basis. These non-GAAP financial measures should not be considered as alternatives to net loss or net loss margin as calculated and presented in accordance with GAAP.

Adjusted EBITDA is defined as net loss before stock-based compensation expense, including common stock warrant expense, depreciation and amortization expense, impairment expense, restructuring expense (consisting of professional fees, severance payments, and other related charges from our August 2022 and March 2023 initiatives), non-cash gains or losses on the sales of businesses relating to our March 2023 initiatives, other income or expense (consisting of non-cash changes in the fair value of our equity investments, non-cash gains or losses on foreign currency, and non-cash gains or losses on sales of property and equipment), interest income or expense, and income tax provision or benefit.

Adjusted EBITDA margin is defined as adjusted EBITDA divided by net revenue.

There are a number of limitations related to the use of these non-GAAP financial measures. Some of these limitations are:

- adjusted EBITDA and adjusted EBITDA margin do not reflect stock-based compensation expense, including common stock warrant expense, and therefore do not include all of our compensation costs;

- adjusted EBITDA and adjusted EBITDA margin do not reflect depreciation and amortization expense and, although these are a non-cash expense, the assets being depreciated may have to be replaced in the future, increasing our cash requirements;

- adjusted EBITDA and adjusted EBITDA margin do not reflect impairment expense for long-lived assets and, although these are a non-cash expense, the assets being impaired may never recover their fair value, increasing our cash requirements;

- adjusted EBITDA and adjusted EBITDA margin do not reflect severance, reorganization, exit, disposal and other costs associated with restructuring plans, which reduce cash available to us;

- adjusted EBITDA and adjusted EBITDA margin do not reflect gains or losses from sales of businesses that may reduce cash available to us if the actual cash received is lower than the cash paid;
- adjusted EBITDA and adjusted EBITDA margin do not reflect other income or expense that may reduce cash available to us if the actual cash received is lower than the cash paid;
- adjusted EBITDA and adjusted EBITDA margin do not reflect interest income or expense, or the cash required to service interest on our debt, which reduces cash available to us; and
- adjusted EBITDA and adjusted EBITDA margin do not reflect income tax expense, or tax payments that may reduce cash available to us.

Further, other companies, including companies in our industry, may calculate these non-GAAP financial measures differently, which reduces their usefulness as comparative measures. Because of these limitations, we consider, and investors should consider, these non-GAAP financial measures together with other operating and financial performance measures presented in accordance with GAAP.

The following table presents a reconciliation of adjusted EBITDA to its most comparable GAAP measure, net loss:

	Year Ended December 31, 2023	Year Ended December 31, 2022
	(in thousands) (unaudited)	
Net loss	$ (152,458)	$ (101,354)
Add (deduct):		
Stock-based compensation expense, including common stock warrant expense	19,346	20,026
Depreciation and amortization expense	21,058	15,754
Impairment expense	27,392	3,286
Restructuring expense	6,757	782
Loss from sales of businesses	2,761	—
Other income	(4,076)	(19)
Interest expense (income)	436	(139)
Income tax provision	334	1,227
Adjusted EBITDA	$ (78,450)	$ (60,437)

Adjusted EBITDA decreased by $18.0 million in the year ended December 31, 2023 as compared to the year ended December 31, 2022. The decrease in adjusted EBITDA was primarily due to the $25.4 million decrease in gross profit, driven by a lower average selling price, partially offset by decreases to marketing expense.

We define adjusted EBITDA margin as adjusted EBITDA divided by net revenue. The following table presents net loss and adjusted EBITDA as percentages of net revenue:

	Year Ended December 31, 2023	Year Ended December 31, 2022
	(in thousands) (unaudited)	
Net revenue	$ 254,065	$ 297,766
Net loss	$ (152,458)	$ (101,354)
Net loss margin	(60.0)%	(34.0)%
Adjusted EBITDA	$ (78,450)	$ (60,437)
Adjusted EBITDA margin	(30.9)%	(20.3)%

Adjusted EBITDA margin declined from (20.3)% to (30.9)% in the year ended December 31, 2023 compared to the year ended December 31, 2022. The change was primarily driven by the same factors as noted in the adjusted EBITDA discussion above.

Liquidity and Capital Resources

As of December 31, 2023, we had cash and cash equivalents of $130.0 million. Our operations have been funded primarily through net proceeds from sales of equity securities and cash flows from the sale of our products.

We believe our existing cash and cash equivalent balances, cash flow from operations, and amounts available for borrowing under the Credit Agreement will be sufficient to meet our cash requirements over the next 12 months. We believe we will meet longer-term expected future cash requirements and obligations through a combination of our existing cash and cash equivalent balances, amounts available for borrowing under the Credit Agreement and issuances of equity securities or debt offerings.

Our material cash requirements for future capital expenditures, which include investments in our existing retail stores, product development, and systems implementations, are expected to be between $8 million and $12 million in 2024, may vary materially from those currently planned and will depend on many factors, including our revenue growth rate, the impact of our strategic transformation plan, our ability to scale across categories, geographies, and channels, our human capital costs, our ability to execute on new marketing initiatives, the timing and extent of spending to support investments in growth and technology initiatives, the market adoption of new products, ESG initiatives to reduce and offset our carbon emissions, and overall macroeconomic conditions. As we continue to execute on our strategic transformation plan announced in March 2023, we expect to see a decrease in future capital expenditures due to fewer store openings in the U.S. and in international markets. To the extent that current and anticipated future sources of liquidity are insufficient to fund our future business activities and requirements, we may be required to seek additional equity or debt financing. The sale of additional equity would result in additional dilution to our stockholders. The incurrence of additional debt financing would result in debt service obligations and the instruments governing such debt could provide for operating and financing covenants that would restrict our operations. There can be no assurances that we will be able to raise additional capital when needed or on terms acceptable to us. The inability to raise capital if needed would adversely affect our ability to achieve our business objectives.

Our material cash requirements include the following contractual and other obligations:

Debt

In February 2019, we entered into the Credit Agreement, as subsequently amended in March 2023 pursuant to the First Amendment to Credit Agreement and in April 2023 pursuant to the Second Amendment to Credit Agreement. The Credit Agreement, as amended, is an asset-based loan with a revolving line of credit of up to $50.0 million and an optional accordion of up to $50.0 million. Interest on borrowings under the Credit Agreement accrue at a variable rate equal to (i) the Term Secured Overnight Financing Rate ("SOFR"), plus (ii) 0.10%, plus (iii) a specified spread of 1.75% or 2.00% dependent on the average quarterly revolver availability, calculated on the last day of each fiscal quarter being greater than 20% of the total revolver commitments or less than or equal to 20% of the total revolver commitments, respectively. The commitment fee under the Credit Agreement is 0.20% per annum on the average daily unused portion of each lender's commitment. In addition, we are required to pay a fronting fee of 0.125% per annum on the average daily aggregate face amount of issued and outstanding letters of credit. Interest, commitment fees and fronting fees are payable monthly, in arrears.

The Credit Agreement contains customary representations and warranties and customary affirmative and negative covenants applicable to us and our subsidiaries, including, among other things, restrictions on indebtedness, liens, investments, mergers, dispositions, dividends and other distributions and a financial covenant that requires us to maintain a specified minimum fixed charge coverage ratio. In addition, the Credit Agreement contains certain customary events of default including, but not limited to, failure to pay interest, principal and fees or other amounts when due, material misrepresentations or misstatements in any representation or warranty, covenant defaults, certain cross defaults to other material indebtedness, certain judgment defaults and events of bankruptcy.

The Credit Agreement has a maturity date of April 17, 2026. As of December 31, 2023 and 2022, we had no outstanding balances under the Credit Agreement. See Note 6, *Long-Term Debt*, of our consolidated financial statements included in Part II, Item 8, for more information regarding the Credit Agreement.

Inventory Purchase Obligations

Inventory purchase obligations relate to a supplier agreement that requires us, through our manufacturers, to purchase a minimum quantity of materials per year. As of December 31, 2023, we had inventory purchase obligations of $15.4 million, with $3.2 million payable within 12 months. See Note 12, *Commitments and Contingencies*, of our consolidated financial statements included in Part II, Item 8, for more information regarding our inventory purchase obligations.

Operating Leases

We lease various office and retail spaces for our operations with lease terms ranging from 1 year to 12 years, certain of which contain renewal provisions. As of December 31, 2023, we had undiscounted operating lease commitments of $116.2 million, with $19.9 million payable within 12 months. See Note 13, *Leases*, of our consolidated financial statements included in Part II, Item 8, for more information regarding our operating lease commitments.

Cash Flows

	Year Ended December 31,	
	2023	2022
	(in thousands)	
Net cash used in operating activities	$ (30,222)	$ (90,583)
Net cash used in investing activities	(7,712)	(32,292)
Net cash provided by financing activities	640	3,581
Effect of foreign exchange rate changes on cash, cash equivalents, and restricted cash	200	(1,515)
Net decrease in cash, cash equivalents, and restricted cash	$ (37,094)	$ (120,809)

Operating Activities

Our largest sources of operating cash are cash payments received from customers for sales of our products. Our primary uses of cash from operating activities are for personnel and related expenses, selling and marketing expenses, and third-party professional fees. We have generated negative operating cash flows and have supplemented working capital through net proceeds from the sale of equity securities, including proceeds from our IPO in November 2021.

Net cash used in operating activities mainly consists of our net loss adjusted for certain non-cash items, including stock-based compensation, depreciation and amortization of property and equipment, impairment expense, inventory write-offs and write-downs, and changes in operating assets and liabilities during each year.

During 2023, net cash used in operating activities was $30.2 million, which consisted of a net loss of $152.5 million and a net decrease of $43.8 million in our operating assets and liabilities, partially offset by non-cash charges of $78.4 million added back to net loss. The change in operating assets and liabilities was primarily due to a decrease of $47.5 million in inventory due to lower inventory on hand.

During 2022, net cash used in operating activities was $90.6 million, which consisted of a net loss of $101.4 million and a net increase of $40.6 million in our operating assets and liabilities, partially offset by non-cash charges of $51.4 million added back to net loss. The change in operating assets and liabilities was primarily due to an increase of $24.7 million in inventory due to higher inventory on hand and higher inbound freight costs, as well as a decrease of $18.5 million in accounts payable due to timing of payments.

Investing Activities

Net cash used in investing activities primarily relates to capital expenditures to support our growth and investment in property and equipment for expansion of our business, partially offset by proceeds from sale of businesses.

Net cash used in investing activities in 2023 and 2022 was $7.7 million and $32.3 million, respectively, and consisted primarily of cash outflows for the purchases of property and equipment to support the opening of retail stores across the U.S. and internationally.

Financing Activities

Net cash provided by financing activities in 2023 was $0.6 million, primarily due to net proceeds from the exercise of stock options and the issuance of common stock under the employee stock purchase plan, offset by taxes withheld on employee stock awards.

Net cash provided by financing activities in 2022 was $3.6 million, primarily due to net proceeds from the exercise of stock options, the issuance of common stock under the employee stock purchase plan, and the receipt of a repayment for a non-recourse promissory note, offset by payments of deferred offering costs and taxes withheld on employee stock awards.

Critical Accounting Estimates

Our consolidated financial statements and the related notes thereto included elsewhere in this Annual Report on Form 10-K are prepared in accordance with GAAP. The preparation of our consolidated financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, costs and expenses, and related disclosures. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results could differ significantly from the estimates made by management. To the extent that there are differences between our estimates and actual results, our future financial statement presentation, financial condition, results of operations, and cash flows will be affected.

We believe that the following accounting estimates involve a high degree of judgment and complexity. Accordingly, these are the policies we believe are the most critical to aid in fully understanding and evaluating our financial condition and results of our operations. See Note 2, *Significant Accounting Policies*, in the notes to our consolidated financial statements included in Part II, Item 8, for a description of our other significant accounting policies and estimates.

Impairment of Long-Lived Assets

We evaluate the recoverability of property and equipment, operating lease right-of-use assets, and identifiable intangible assets with definite lives ("long-lived assets") whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Events that trigger a test for recoverability include material adverse changes in projected revenues and expenses, present cash flow losses combined with a history of cash flow losses, significant negative industry or economic trends, a current expectation that a long-lived asset group will be disposed of significantly before the end of its useful life, a significant adverse change in the manner in which an asset group is used or in its physical condition, or when there is a change in the asset grouping. When a triggering event occurs, a test for recoverability is performed, comparing projected undiscounted future cash flows to the carrying value of the asset group. Assumptions used in these projected cash flows are consistent with internal planning, and include revenue growth rates, gross margins, and operating expense in relation to the current economic environment and our future expectations, competitive factors in its various markets, inflation, revenue trends and other relevant economic factors that may impact the asset group under evaluation.

Long-lived assets are reviewed for recoverability at the lowest level in which there are identifiable cash flows ("asset group"). In the fourth quarter of 2023, in response to changes in the way management views the business, we changed our asset groupings from country-level asset groups to individual store level asset groups. The carrying amount of a store asset group includes stores' operating lease right-of-use assets and property and equipment, which consists primarily of leasehold improvements. We evaluate corporate assets or other long-lived assets that are not store-specific at the consolidated level.

If the test for recoverability identifies a possible impairment, the asset group's fair value is measured and impairment expense is recognized based on the difference between the independent fair value and carrying value of the asset group. When an impairment loss is recognized for assets to be held and used, the adjusted carrying amounts of those assets are depreciated over their remaining useful life.

We determined that triggering events, including a current-period and history of operating cash flow losses, occurred during 2023 and required an impairment review of our long-lived assets. Based on the results of our undiscounted cash flow analysis, we identified certain asset groups in which the projected future undiscounted net cash flows were less than the carrying value of an asset group. For these asset groups, the assets were written down to their fair values, measured primarily on an independent third-party valuation of these long-lived assets.

Any material changes in the sum of our undiscounted cash flow estimates resulting from different assumptions or changes in data used in the third-party valuations as of December 31, 2023 for those asset groups included in our evaluation could result in a material change in the long-lived asset impairment charge for fiscal year 2023. Our projections are estimates, which could vary significantly, either favorably or unfavorably, from actual results if future economic conditions, consumer demand and competitive environments differ from our expectations.

Inventory

Inventory consists of finished goods, stated at the lower of cost or net realizable value. We value our inventory using the weighted-average cost method and include product costs from our suppliers, freight, import duties and other landing costs. We periodically review inventory and make provisions as necessary to appropriately value end of life, slow-moving, damaged, and excess inventory. To determine if the value of inventory requires a write-down, we estimate the net realizable value of inventory by considering current and anticipated demand, customer preferences and buying trends, the age of the merchandise, and product quality. Inventory write-downs are recognized in cost of revenue in the condensed consolidated statements of operations and comprehensive loss. Our reserve estimates require us to make assumptions based on the current rate of sales, age of inventory, salability and profitability of inventory, all of which may be affected by changes in our product mix and consumer preferences. These adjustments are estimates which could vary significantly, either favorably or unfavorably, from actual requirements if future economic conditions, customer demand or other factors differ from expectations.

Revenue Recognition

Our primary source of revenue is from sales of shoes and apparel products. We determine revenue recognition in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*. Revenue is recognized when transfer of control to the customer has occurred, which is either upon shipment or upon receipt, depending on the terms of sale. The transaction price is determined based upon the invoiced sales price, less anticipated sales returns from and discounts to customers. As customers may return products, we record a reserve for estimated product returns in each reporting period as a reduction of net revenue. We record the expected customer refund liability as a reduction to revenue, and the expected inventory right of recovery as a reduction of cost of revenue. We believe revenue recognition is subject to uncertainty as actual return costs can differ from previous estimates based on the amount of customer returns or exchanges, which would result in adjustments to the amount of liability and corresponding revenue in the period in which such differences occur. In making such estimates, we analyze historical returns, impact of seasonality, current economic and market trends, current business practices, and changes in customer demand and acceptance of our products.

Stock-Based Compensation

We measure and recognize compensation expense for all stock-based awards, including stock options and restricted stock units, or RSUs, granted to employees, directors, and non-employees, and stock purchase rights granted under the 2021 ESPP, or ESPP Rights, to employees, based on the estimated fair value of the awards on the date of grant. The fair value of each stock option and ESPP Right granted is estimated using the Black-Scholes option-pricing model. The fair value of each RSU award is based on the estimated fair value of our common stock on the date of grant.

The Black-Scholes option pricing model requires the input of highly subjective assumptions, including the fair value of the underlying common stock, the expected term of the option, the expected volatility of the price of our common stock, risk-free interest rates, and the expected dividend yield of our common stock. The assumptions used to determine the fair value of the option awards represent management’s best estimates. These estimates involve inherent uncertainties and the application of management’s judgment over the assumptions listed below. The related stock-based compensation expense is recognized on a straight-line basis over the requisite service period of the awards. We account for forfeitures as they occur instead of estimating the number of awards expected to be forfeited.

These assumptions and estimates are as follows:

Fair value of common stock—The fair value of our common stock is determined by the closing price, on the grant date, of our common stock, which is traded on Nasdaq.

Expected dividend yield—We have never declared or paid any cash dividends and do not presently plan to pay cash dividends in the foreseeable future. As a result, an expected dividend yield of zero percent is used.

Expected volatility—The expected volatility is estimated by taking the average historic price volatility for industry peers, consisting of several public companies in our industry which are either similar in size, stage of life cycle, or financial leverage, over a period equivalent to the expected term of the awards.

Expected term—The expected term of options represents the period of time that options are expected to be outstanding. Our historical stock option exercise experience does not provide a reasonable basis upon which to estimate an expected term due to a lack of sufficient data. For stock options granted to employees, we estimate the expected term by using the simplified method. The simplified method calculates the expected term as the average of the time-to-vesting and the contractual life of the options. For stock options granted to non-employees, the expected term equals the contractual term of the option.

Risk-free interest rate—The risk-free interest rate for the expected term of the options is based on the U.S. Treasury yield curve in effect at the time of the grant.

The assumptions for expected volatility and expected term are the two assumptions that most significantly affect the grant date fair value of stock options and ESPP Rights. Changes in expected risk-free rate of return do not significantly impact the calculation of fair value and determining this input is not highly subjective.

We will continue to use judgment in evaluating the assumptions related to our stock-based compensation on a prospective basis. As we continue to accumulate additional data related to our common stock, we may refine our estimation process, which could materially impact our future stock-based compensation expense. Changes in these subjective assumptions can materially affect the estimate of the fair value of stock options and ESPP Rights and, consequently, the related amount of stock-based compensation expense recognized in our consolidated statements of operations and comprehensive loss.

Recent Accounting Pronouncements

For information on recent accounting pronouncements, see Note 2, *Significant Accounting Policies*, in the notes to our consolidated financial statements included in Part II, Item 8.

Emerging Growth Company Status

We are currently an "emerging growth company," as defined in the Jumpstart Our Business Startups Act of 2012, or JOBS Act, and we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies. We may take advantage of these exemptions until we are no longer an emerging growth company. Section 107 of the JOBS Act provides that an emerging growth company can take advantage of the extended transition period afforded by the JOBS Act for the implementation of new or revised accounting standards. We have elected to use the extended transition period for complying with new or revised accounting standards and, as a result of this election, our financial statements may not be comparable to companies that comply with public company effective dates. We may take advantage of these exemptions up until December 31, 2026, the last day of the fiscal year following the fifth anniversary of our initial public offering or such earlier time that we are no longer an emerging growth company. We would cease to be an emerging growth company if we have more than $1.235 billion in annual gross revenue, we have more than $700.0 million in market value of our Class A stock held by non-affiliates or we issue more than $1.0 billion of non-convertible debt securities over a three-year period.

Smaller Reporting Company Status

We are currently a "smaller reporting company," as defined by Rule 12b-2 of the Exchange Act and therefore qualify for reduced disclosure requirements for smaller reporting companies.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Not applicable.

Item 8. Financial Statements and Supplementary Data

ALLBIRDS, INC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of Allbirds, Inc.:

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Allbirds, Inc. and subsidiaries (the "Company") as of December 31, 2023 and 2022, the related consolidated statements of operations and comprehensive loss, stockholders' equity, and cash flows, for each of the two years in the period ended December 31, 2023, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2023, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Deloitte & Touche LLP

San Francisco, California
March 12, 2024

We have served as the Company's auditor since 2016.

ALLBIRDS, INC.

CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share amounts)

	December 31, 2023	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	$ 130,032	$ 167,136
Accounts receivable	8,188	9,206
Inventory	57,763	116,796
Prepaid expenses and other current assets	16,423	15,796
Total current assets	212,406	308,934
Property and equipment—net	26,085	54,340
Operating lease right-of-use assets	67,085	91,232
Other assets	7,129	7,858
Total assets	$ 312,705	$ 462,364
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	5,851	12,245
Accrued expenses and other current liabilities	22,987	23,448
Current lease liabilities	15,218	10,263
Deferred revenue	4,551	4,057
Total current liabilities	48,607	50,012
Noncurrent liabilities:		
Noncurrent lease liabilities	78,731	95,583
Other long-term liabilities	38	—
Total noncurrent liabilities	78,769	95,583
Total liabilities	$ 127,376	$ 145,595
Commitments and contingencies (Note 12)		
Stockholders' equity:		
Class A Common stock, $0.0001 par value; 2,000,000,000 shares authorized as of December 31, 2023 and 2022; 102,579,222 and 96,768,745 shares issued and outstanding as of December 31, 2023 and 2022, respectively	10	10
Class B Common stock, $0.0001 par value; 200,000,000 shares authorized as of December 31, 2023 and 2022; 52,547,761 and 53,137,729 shares issued and outstanding as of December 31, 2023 and 2022, respectively	5	5
Additional paid-in capital	579,848	559,106
Accumulated other comprehensive loss	(3,335)	(3,611)
Accumulated deficit	(391,199)	(238,741)
Total stockholders' equity	185,329	316,769
Total liabilities and stockholders' equity	$ 312,705	$ 462,364

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(in thousands, except share and per share amounts)

	Year Ended December 31, 2023	Year Ended December 31, 2022
Net revenue	$ 254,065	$ 297,766
Cost of revenue	149,833	168,138
Gross profit	104,232	129,628
Operating expense:		
Selling, general, and administrative expense	174,044	166,736
Marketing expense	49,042	59,109
Impairment expense	27,392	3,286
Restructuring expense	6,757	782
Total operating expense	257,235	229,913
Loss from operations	(153,003)	(100,285)
Loss from sales of businesses	(2,761)	—
Interest income	4,076	19
Other (expense) income	(436)	139
Loss before provision for income taxes	(152,124)	(100,127)
Income tax provision	(334)	(1,227)
Net loss	$ (152,458)	$ (101,354)
Net loss per share data:		
Net loss per share attributable to common stockholders, basic and diluted	$ (1.01)	$ (0.68)
Weighted average shares used in computing net loss per share attributable to common stockholders, basic and diluted	151,672,437	148,754,428
Other comprehensive loss:		
Foreign currency translation gain (loss)	276	(4,277)
Total comprehensive loss	$ (152,182)	$ (105,631)

See accompanying notes to consolidated financial statements.

ALLBIRDS, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands, except share amounts)

	Class A Common Stock		Class B Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
Balance as of December 31, 2021	49,016,511	$ 5	98,038,941	$ 10	$ 533,709	$ 666	$ (137,386)	$ 397,004
Issuance of common stock under employee stock purchase plan	311,509	—	—	—	1,201	—	—	1,201
Exercise of stock options	—	—	1,743,005	—	2,585	—	—	2,585
Exercise of common stock warrants, net of shares withheld	—	—	25,717	—	—	—	—	—
Vesting of common stock warrants	—	—	—	—	843	—	—	843
Vesting of restricted stock units	770,791	—	—	—	—	—	—	—
Repayment of non-recourse promissory note	—	—	—	—	539	—	—	539
Conversion of Class B shares into Class A common stock	46,669,934	5	(46,669,934)	(5)	—	—	—	—
Stock-based compensation	—	—	—	—	20,230	—	—	20,230
Comprehensive loss	—	—	—	—	—	(4,277)	—	(4,277)
Net loss	—	—	—	—	—	—	(101,354)	(101,354)
Balance as of December 31, 2022	96,768,745	$ 10	53,137,729	$ 5	$ 559,106	$ (3,611)	$ (238,741)	$ 316,769
Exercise of stock options	—	$ —	1,715,629	$ —	$ 203	$ —	$ —	$ 203
Vesting of restricted stock units	3,151,571	—	—	—	—	—	—	—
Issuance of common stock under employee stock purchase plan	353,309	—	—	—	327	—	—	327
Conversion of Class B shares into Class A common stock	2,305,597	—	(2,305,597)	—	—	—	—	—
Stock-based compensation	—	—	—	—	20,212	—	—	20,212
Comprehensive income	—	—	—	—	—	276	—	276
Net loss	—	—	—	—	—	—	(152,458)	(152,458)
Balance as of December 31, 2023	102,579,222	$ 10	52,547,761	$ 5	$ 579,848	$ (3,335)	$ (391,199)	$ 185,329

See accompanying notes to consolidated financial statements.

ALLBIRDS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended December 31,	
	2023	2022
Cash flows from operating activities:		
Net loss	$ (152,458)	$ (101,354)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	21,005	14,679
Amortization of debt issuance costs	49	49
Stock-based compensation	19,346	19,873
Inventory write-down	8,253	14,437
Deferred taxes	(474)	(898)
Impairment expense	27,374	3,279
Realized loss on equity investment	84	—
Loss from sales of businesses	2,772	—
Changes in assets and liabilities:		
Accounts receivable	1,000	1,605
Inventory	47,529	(24,742)
Prepaid expenses and other current assets	(1,158)	18,100
Operating lease right-of-use assets and current and noncurrent lease liabilities	2,555	12,265
Accounts payable and accrued expenses	(6,706)	(37,593)
Other long-term liabilities	38	(10,157)
Deferred revenue	569	(126)
Net cash used in operating activities	(30,222)	(90,583)
Cash flows from investing activities:		
Purchase of property and equipment	(10,870)	(31,363)
Proceeds from sale of equity investment	166	—
Proceeds from sales of businesses	2,182	—
Changes in security deposits	810	(929)
Net cash used in investing activities	(7,712)	(32,292)
Cash flows from financing activities:		
Payments of deferred offering costs	—	(744)
Repayment of non-recourse promissory note	—	539
Proceeds from issuance of common stock under the employee stock purchase plan	327	1,201
Proceeds from the exercise of stock options	894	2,751
Taxes withheld and paid on employee stock awards	(581)	(166)
Net cash provided by financing activities	640	3,581
Effect of foreign exchange rate changes on cash, cash equivalents, and restricted cash	200	(1,515)
Net decrease in cash, cash equivalents, and restricted cash	(37,094)	(120,809)
Cash, cash equivalents, and restricted cash—beginning of year	167,767	288,576
Cash, cash equivalents, and restricted cash—end of year	$ 130,673	$ 167,767
Supplemental disclosures of cash flow information:		
Cash paid for interest	$ 111	$ 88
Cash paid for taxes	$ 1,785	$ 1,424
Noncash investing and financing activities:		
Purchase of property and equipment included in accrued liabilities	$ —	$ 601
Non-cash exercise of common stock warrants	$ —	$ 35
Stock-based compensation included in capitalized internal-use software	$ 866	$ 1,199
Reconciliation of cash, cash equivalents, and restricted cash:		
Cash and cash equivalents	$ 130,032	$ 167,136
Restricted cash included in prepaid expenses and other current assets	641	632
Total cash, cash equivalents, and restricted cash	$ 130,673	$ 167,767

See accompanying notes to consolidated financial statements.

1. Description of Business

Allbirds, Inc. ("Allbirds" and, together with its wholly owned subsidiaries, the "Company," "we," or "our") was incorporated in the state of Delaware on May 6, 2015. Headquartered in San Francisco, California, Allbirds is a global lifestyle brand that innovates with sustainable materials to make better footwear and apparel products in a better way, while treading lighter on our planet. The majority of our revenue is from sales directly to consumers via our digital and retail channels.

2. Significant Accounting Policies

Basis of Preparation—The consolidated financial statements have been presented in U.S. dollars and prepared in accordance with United States generally accepted accounting principles ("GAAP"). Certain monetary amounts, percentages, and other figures included elsewhere in these consolidated financial statements and accompanying notes have been subject to rounding adjustments. As such, figures shown as totals in certain tables may not be the arithmetic aggregation of the figures that precede them, and figures expressed as percentages in the text may not total 100% or, as applicable, when aggregated may not be the arithmetic aggregation of the percentages that precede them.

Principles of Consolidation—The consolidated financial statements include the accounts of Allbirds, Inc. and our wholly owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates—The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Risks and Uncertainties—We continue to monitor and respond to evolving developments about recent macroeconomic events, including elevated inflation, the U.S. Federal Reserve raising interest rates, bank failures, supply chain disruptions, fluctuations in currency exchange rates, geopolitical conflicts, and the COVID-19 pandemic, which have led to economic uncertainty in the global economy. These macroeconomic conditions have had and are likely to continue to have adverse consequences on consumer spending, including the buying patterns of our customers and prospective customers. The conditions caused by the aforementioned recent macroeconomic events could affect the rate of consumer spending and could adversely affect demand for our products, lengthen our sales cycles, reduce the value of inventory, reduce expected spending from new customers, and affect our suppliers, all of which could adversely affect our business, results of operations, and financial condition.

As of the date of the issuance of the financial statements, we are not aware of any specific event or circumstance related to the aforementioned macroeconomic events that would require us to update our estimates or judgments or adjust the carrying value of our assets or liabilities. Actual results could differ from those estimates and any such differences may be material to the consolidated financial statements.

Segments—Operating segments are defined as components of an entity for which separate financial information is available and that is regularly reviewed by our chief operating decision maker ("CODM") in deciding how to allocate resources to an individual segment and in assessing performance. Prior to May 4, 2023, our CODMs were our co-Chief Executive Officers. On May 4, 2023, Timothy Brown, transitioned from his co-Chief Executive Officer role to Chief Innovation Officer, a non-executive role, and Joseph Zwillinger, our other co-Chief Executive Officer, was appointed our Chief Executive Officer. As a result, we performed an evaluation to determine our CODM. We determined that Joseph Zwillinger, Chief Executive Officer, was our CODM after May 4, 2023 and as of December 31, 2023.

We operate in one operating segment and one reportable segment, as our CODM reviews financial information presented on a consolidated basis for purposes of making operating decisions, allocating resources, and evaluating financial performance. There was no change in our operating or reportable segments as a result of the change in CODM during the second quarter of 2023.

The following table presents long-lived assets by geographic area, comprising property and equipment - net, definite-lived intangible assets, and operating lease right-of-use assets:

(in thousands)	December 31, 2023	December 31, 2022
Long-lived assets:		
United States	$ 79,786	$ 126,988
International	13,465	18,638
Total long-lived assets	$ 93,251	$ 145,626

Foreign Currency Transactions—Our reporting currency is the U.S. dollar. The functional currency for each subsidiary included in these consolidated financial statements that is domiciled outside of the United States is generally the applicable local currency of that country or the U.S. dollar. The translation of foreign currencies into U.S. dollars is performed for assets and liabilities using current foreign currency exchange rates in effect at the balance sheet date and for revenues and expense accounts using average foreign currency exchange rates during the period. Capital accounts are translated at historical foreign currency exchange rates. Translation gains and losses are included in stockholders' equity as a component of accumulated other comprehensive income or loss. Adjustments that arise from foreign currency exchange rate changes on transactions denominated in a currency other than the functional currency are recognized as other income or expense within the consolidated statements of operations and comprehensive loss.

Cash, Cash Equivalents, and Restricted Cash—We consider all highly liquid investments with an original maturity date of three months or less as cash equivalents. Cash and cash equivalents are comprised primarily of domestic and foreign bank accounts and money market funds. These cash and cash equivalents are valued based on Level 1 inputs, which consist of quoted prices in active markets. We place our cash and cash equivalents with several high credit quality financial institutions which, at times, may be in excess of Federal Deposit Insurance Corporation ("FDIC") insurance limits. We have not experienced any losses in such accounts and periodically evaluate the credit worthiness of the financial institutions. Our foreign bank accounts are not subject to FDIC insurance.

Restricted cash serves as collateral for a bond with the United States Customs and Border Protection ("CBP"), which allows us to take possession of our inventory before all formalities with the CBP are completed for imported products. Restricted cash is included in prepaid expenses and other current assets on the consolidated balance sheets.

Accounts Receivable—Accounts receivable consist primarily of amounts due from customers, which results from sales to customers including credit card deposits in transit at the balance sheet date, the majority of which are settled within two to three business days, and wholesale accounts receivable, which are settled per the terms of the sale. Wholesale accounts receivable was $4.6 million and $6.3 million as of December 31, 2023 and 2022, respectively. Credit card receivables were $2.3 million and $2.1 million as of December 31, 2023 and 2022, respectively.

Inventory—Inventory consists of finished goods, stated at the lower of cost or net realizable value. We value our inventory using the weighted-average cost method and include product costs from our suppliers, freight, import duties and other landing costs.

We periodically review inventory and record reserves as necessary to appropriately value slow-moving, damaged, and excess inventory. To determine if the value of inventory requires a write-down, we estimate the market value of inventory by considering current and anticipated demand, customer preferences and buying trends, and the age of the merchandise. As of December 31, 2023 and 2022, we recorded an inventory reserve to reduce the value of our inventory by $6.5 million and $8.3 million, respectively, within inventory on the consolidated balance sheets. Related to these inventory reserves, and also including actual shrinkage which is recorded throughout the year based on the results of physical inventory counts, we recognized $10.5 million and $15.9 million as cost of revenue in the consolidated statements of operations and comprehensive loss for the years ended December 31, 2023 and 2022, respectively.

Property and Equipment - Net—Property and equipment - net is stated at cost less accumulated depreciation. Depreciation and amortization expense is computed using the straight-line method over the estimated useful lives of the respective assets, which are generally three to five years. Leasehold improvements are amortized over the shorter of estimated useful lives of the assets or the term of the associated lease. Expenditures for repairs and maintenance are expensed as incurred. Upon disposal, the cost and related accumulated depreciation are removed from the accounts, and the resulting gain or loss is recognized as other income or expense in the consolidated statements of operations and comprehensive loss.

Useful lives by major asset classes are below:

Asset Class	Depreciation Period
Computers and equipment	3 years
Furniture and fixtures	3 years
Machinery and equipment	5 years
Internal-use software	3 years
Leasehold improvements	Shorter of lease term or estimated useful life

Capitalized Internal-Use Software—Costs of software developed for internal-use is accounted for in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Subtopic 350-40, *Internal-Use Software*. Capitalization of costs begins when the preliminary project stage is completed, management authorizes and commits to funding the computer software project, it is probable that the project will be completed, and the software will be used to perform the function intended. Such costs are capitalized in the period incurred. Capitalization ceases at the point when the project is substantially complete and ready for its intended use. The capitalized costs are amortized using the straight-line method over the estimated useful lives of the software, which is generally three years. For the years ended December 31, 2023 and 2022, we capitalized $11.0 million and $8.9 million, respectively, in internal-use software within property and equipment in the consolidated balance sheets.

Leases—We determine if an arrangement is or contains a lease at inception by evaluating various factors, including if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration and other facts and circumstances. Lease classification is determined at the lease commencement date. Right-of-use assets represent our right to use an underlying asset for the lease term, and lease liabilities represent our obligation to make payments arising from the lease. Operating lease right-of-use assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. Lease payments consist primarily of the fixed payments under the arrangement, less any lease incentives. Variable lease payments are expensed as incurred and include certain non-lease components, such as maintenance and other services provided by the lessor to the extent the charges are variable. Lease expense for lease payments is recognized on a straight-line basis over the lease term. For any right-of-use assets that are impaired, the lease expense is no longer recognized on a straight-line basis.

We use an estimate of our incremental borrowing rate ("IBR") based on the information available at the lease commencement date in determining the present value of lease payments, unless the implicit rate is readily determinable. The IBR is the company specific rate of interest that would have to be paid by us to borrow on a collateralized basis over a similar term of the lease in a similar economic environment as of the date of the lease. In determining the appropriate IBR, we consider various factors, including, but not limited to, the lease term, our credit rating, U.S Treasury rates, and the currency in which the arrangement is denominated. Our lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option.

We do not separate non-lease components from lease components for our leases. In addition, we do not recognize right-of-use assets and lease liabilities for short-term leases, which have a lease term of 12 months or less and do not include an option to purchase the underlying asset that we are reasonably certain to exercise. Lease cost for short-term leases is recognized on a straight-line basis over the lease term.

Any impairment to the associated right-of-use assets is recognized in the period the impairment occurs and is recorded in the consolidated statements of operations and comprehensive loss as impairment expense.

Operating leases are included in operating lease right-of-use assets, current lease liabilities, and noncurrent lease liabilities on the consolidated balance sheets. We did not have any finance leases for any periods presented.

Impairment of Long-Lived Assets—We evaluate the recoverability of property and equipment, operating lease right-of-use assets, and identifiable intangible assets with definite lives ("long-lived assets) whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When a triggering event occurs, a test for recoverability is performed, comparing projected undiscounted future cash flows to the carrying value of the asset group. If the carrying amount of an asset group exceeds its estimated undiscounted net future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset group exceeds its fair value.

Long-lived assets are reviewed for recoverability at the lowest level in which there are identifiable cash flows (asset group). In the fourth quarter of 2023, in response to changes in the way management views the business, we changed our asset groupings from country-level asset groups to individual store level asset groups. The carrying amount of a store asset group includes stores' operating lease right-of-use assets and property and equipment, which consists primarily of leasehold improvements. We evaluate corporate assets or other long-lived assets that are not store-specific at the consolidated level.

We determined that triggering events, including a current-period and history of operating cash flow losses, occurred during 2023 and required an impairment review of our long-lived assets. Based on the results of our undiscounted cash flow analysis, we identified certain asset groups in which the projected future undiscounted net cash flows are less than the carrying value of an asset group. For these asset groups, the assets were written down to their fair values, measured primarily on an independent third-party valuation of these long-lived assets.

Based on the results of our impairment analysis, we recorded non-cash impairment charges of $27.4 million, recognized as impairment expense in our consolidated statements of operations and comprehensive loss. $9.8 million of the charge related to a reduction of the carrying value of our operating lease right-of-use assets, and $17.6 million related to a reduction of the carrying value of property and equipment included within property and equipment - net. We recognized $3.3 million of impairment expense for the year ended December 31, 2022.

Any material changes in the sum of our undiscounted cash flow estimates resulting from different assumptions or changes in data used in the third-party valuations as of December 31, 2023 for those asset groups included in our evaluation could result in a material change in the long-lived asset impairment charge for fiscal year 2023. Our projections are estimates, which could vary significantly, either favorably or unfavorably, from actual results if future economic conditions, consumer demand and competitive environments differ from our expectations.

Restructuring—In the first quarter of 2023, we announced a strategic transformation plan designed to improve our revenue trend, as well as improve capital efficiency and drive profitability in the business. As part of this effort, we have incurred professional fees, severance and other employee-related benefits, and other related charges which are recognized within restructuring expense in the consolidated statements of operations and comprehensive loss.

The following table presents a roll-forward of our restructuring charges, which are included within accrued expenses and other current liabilities in the consolidated balance sheets:

(in thousands)	Professional fees and other related charges	Severance and other employee-related benefits
Balance as of December 31, 2022	$ —	$ —
Charges	4,521	2,236
Cash Payments	(4,329)	(1,396)
Balance as of December 31, 2023	$ 192	$ 840

Business Combinations and Dispositions—In September 2023, we entered into agreements appointing exclusive distributors in South Korea and Canada. Under the distribution arrangements, each third-party distributor operates our existing websites and retail stores and sells products, purchased from us, through various distribution channels, including the retail stores and eCommerce platform, under our brand names in their respective territories.

As part of the appointment, we entered into an asset purchase agreement with each distributor for the sale of certain net assets used in connection with the operations of our businesses in South Korea and Canada. Refer to Note 3, *Business Combinations and Dispositions*, for further details.

Revenue Recognition—Our primary source of revenue is from sales of shoes and apparel products. We account for revenue in accordance with FASB ASC 606, *Revenue from Contracts with Customers*, for all periods presented.

We recognize revenue through the following steps:

1. identification of the contract, or contracts, with the customer;

2. identification of the performance obligations in the contract;

3. determination of the transaction price;

4. allocation of the transaction price to the performance obligations in the contract; and

5. recognition of revenue when, or as, we satisfy a performance obligation.

Revenue transactions associated with the sale of our inventory comprise a single performance obligation which consists of the sale of products to customers through our direct to consumer or third party channels. Payment is due either at the time of purchase or within a timeframe specified in the contract, without significant financing components. The consideration received from customers is not variable. We satisfy the performance obligation and record revenues when transfer of control to the customer has occurred, based on the terms of sale. A customer is considered to have control once they are able to direct the use and receive substantially all of the benefits of the product. Control is transferred to wholesale customers upon shipment. Control transfers to retail store customers at the time of sale and to digital customers upon shipment. This transfer of control represents a single deliverable and revenue is recognized at a point in time. We account for shipping and handling fees charged to customers as revenue and we account for shipping and handling costs as fulfillment costs. We recognize the revenue and cost associated with shipping and handling at the time the products are shipped to the customer. Discounts provided to customers are accounted for as a reduction of revenue. Revenues are presented net of any taxes collected from customers and remitted to governmental authorities.

We have two types of contract liabilities: (i) cash collections of purchases, which are included in deferred revenue in the consolidated balance sheets and are recognized as revenue upon shipment; and (ii) unredeemed gift cards and merchandise credits, which are included in deferred revenue in the consolidated balance sheets and recognized as revenue upon redemption.

Gift cards sold to customers do not carry an expiration date and are recorded as deferred revenue until they are redeemed, at which point revenue is recognized. From historical experience, a majority of gift cards are redeemed within a 12-month period from the card issuance date.

We record a reserve for estimated product returns, based upon historical returns, impact of seasonality, current economic and market trends, current business practices, and changes in customer demand and acceptance of our products, in each reporting period as an offsetting decrease of net revenue, with an increase to our sales-refund reserve in accrued expenses. We have also recorded a related inventory returns receivable in prepaid expenses and other current assets, with an offsetting decrease to cost of revenue, as of December 31, 2023 and 2022 in the consolidated balance sheets.

For the years ended December 31, 2023 and 2022, we recognized $4.1 million and $4.2 million, respectively, of revenue that was deferred as of December 31, 2022 and 2021. As of December 31, 2023 and 2022, we had $0.8 million and $0.4 million, respectively, in cash collections of purchases via our digital channel which had not yet shipped, and $3.8 million and $3.6 million, respectively, in gift card liabilities included in deferred revenue in the consolidated balance sheets. The deferred revenue balance of $4.6 million at December 31, 2023 is expected to be recognized over the next 12 months.

The following table disaggregates our net revenue by geographic area, where no individual foreign country contributed in excess of 10% of net revenue for the years ended December 31, 2023 and 2022. We recognized the following net revenue by geographic area based on the primary shipping address of the customer for digital or third party sales, and based on the physical store location for retail store sales:

(in thousands)	December 31, 2023	December 31, 2022
Net revenue by primary geographical market:		
United States	$ 191,054	$ 229,814
International	63,011	67,952
Total net revenue	$ 254,065	$ 297,766

Cost of Revenue—Cost of revenue primarily consists of the cost of purchased inventory, inbound and outbound shipping costs, import duties, distribution center and related equipment costs, and inventory write-offs and write-downs.

Shipping costs to receive products from our suppliers are included in the cost of inventory and recognized as cost of revenue upon sale of products to our customers.

Selling, General, and Administrative Expense—Selling, general, and administrative expense consists of personnel and related costs including salaries, benefits, bonuses, and stock-based compensation for our corporate and retail employees, third-party professional fees, information technology, payment processing fees, fixed and variable lease costs for corporate offices and retail stores, depreciation and amortization, software costs, legal fees, and other administrative costs associated with operating the business.

Marketing Expense—Marketing expense consists of advertising costs to market our products and is expensed as incurred.

Stock-Based Compensation—Stock-based compensation expense related to stock awards, including stock options, restricted stock units ("RSUs"), stock awards with market-based or performance-based vesting conditions, and stock purchase rights granted under the 2021 Employee Stock Purchase Plan ("ESPP Rights"), is recognized based on the estimated fair value of the awards on the date of the grant. The fair value of each stock option award and ESPP Right is valued on the grant date using the Black-Scholes option pricing model. The fair value of each RSU is based on the estimated fair value of our common stock on the date of grant. The fair of stock awards with market-based or performance-based vesting conditions is based on the estimated fair value using equity valuation models, such as the Monte Carlo simulation, using assumptions and judgements made by management and third-party valuation specialists. Stock-based compensation is generally recognized on a straight-line basis over the requisite service period, which is generally the vesting period of the respective award. Forfeitures are accounted for in the period in which they occur.

The Black-Scholes option pricing model requires the input of highly subjective assumptions, including the fair value of the underlying common stock, the expected term of the option, the expected volatility of the price of our common stock, risk-free interest rates and the expected dividend yield of our common stock. The assumptions used to determine the fair value of the option awards represent management's best estimates. These estimates involve inherent uncertainties and the application of management's judgment.

Income Taxes—We record deferred tax assets and liabilities based on differences between the book and tax bases of assets and liabilities. The deferred tax assets and liabilities are calculated by applying enacted tax rates and laws to taxable years in which such differences are expected to reverse. We determine whether a valuation allowance is necessary in accordance with the provisions of the FASB ASC 740, *Income Taxes*. We recognize the benefits from our deferred tax assets only when an analysis of both positive and negative factors indicate that it is more likely than not that the benefits will be realized.

Our estimate of the potential outcome of any uncertain tax position is subject to our assessment of relevant risks, facts, and circumstances existing at that time. Obtaining new information, settlements with tax authorities and the expiration of statutes of limitations may cause adjustments in income tax expense in the period this occurs.

Fair Value Measurements—FASB ASC 820, *Fair Value Measurements*, defines fair value, establishes a framework for measuring fair value under GAAP, and enhances disclosures about fair value measurements. It clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, ASC 820 establishes a three-tier value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1—Observable inputs, such as quoted prices in active markets

Level 2—Inputs other than the quoted prices in active markets that are observable either directly or indirectly

Level 3—Unobservable inputs in which there is little or no market data, which requires us to develop our own assumptions.

This hierarchy requires us to use observable market data, when available, and to minimize the use of unobservable inputs when determining fair value. We record cash and cash equivalents, accounts receivable, accounts payable, and accrued expenses at cost. The carrying values of these instruments approximate their fair value due to their short-term maturities. We hold certain assets that are required to be measured at fair value on both a recurring and non-recurring basis, which are outlined in Note 5, *Fair Value Measurements*.

Emerging Growth Company—As an "emerging growth company," the Jumpstart Our Business Startups Act, or the JOBS Act, allows us to delay adoption of new or revised accounting pronouncements applicable to public companies until such pronouncements are made applicable to private companies. For certain pronouncements, we have elected to use the adoption dates applicable to private companies. As a result, our financial statements may not be comparable to the financial statements of issuers who are required to comply with the effective date for new or revised accounting standards that are applicable to public companies.

Smaller Reporting Company—We are currently a "smaller reporting company," as defined by Rule 12b-2 of the Exchange Act and therefore qualify for reduced disclosure requirements for smaller reporting companies.

Recently Adopted Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, Credit Losses (Topic 326) - Measurement of Credit Losses on Financial Instruments ("ASU 2016-13"). ASU 2016-13 requires entities to use a forward-looking approach based on current expected credit losses to estimate credit losses on certain types of financial instruments, including trade and account receivables, which may result in the earlier recognition of allowance for losses. The adoption of the guidance in the first quarter of 2023 did not have a material impact on our condensed consolidated financial statements and related disclosures as of and for the year ended December 31, 2023.

In March 2020, the FASB issued ASU 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting. This guidance provides temporary optional expedients and exceptions to accounting guidance on contract modifications and hedge accounting to ease entities' financial reporting burdens as the market transitions from the London Interbank Offered Rate (LIBOR) and other interbank offered rates to alternative reference rates. The adoption of the guidance in the first quarter of 2023 did not have a material impact on our condensed consolidated financial statements and related disclosures as of and for the year ended December 31, 2023.

Recently Issued Accounting Pronouncements

In August 2020, the FASB issued ASU No. 2020-06, *Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*, which simplifies the accounting for certain convertible instruments, amends the guidance on derivative scope exceptions for contracts in an entity's own equity, and modifies the guidance on diluted earnings per share calculations as a result of these changes. The guidance is effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. The adoption of ASU 2020-06 is not expected to have a material impact on our consolidated financial statements and related disclosures.

In March 2023, the FASB issued ASU No. 2023-01, Leases (Topic 842) - *Common Control Arrangements*. This ASU addresses issues related to accounting for leases under common control arrangements. The standard will include an amendment to Topic 842 for all entities with leasehold improvements in common control arrangements to amortize leasehold improvements that it owns over the improvements' useful life to the common control group if certain criteria are met. The amendments in this update are effective for reporting periods beginning after December 15, 2023, with early adoption permitted. The adoption of ASU 2023-01 is not expected to have a material impact on our consolidated financial statements and related disclosures.

In October 2023, the FASB issued ASU No. 2023-06, *Disclosure Improvements: Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative*, which amends the disclosure or presentation requirements of a variety of topics in the ASC in order to conform with certain SEC amendments in Release No. 33-10532, *Disclosure Update and Simplification*. The effective date for each amendment will be the date on which the SEC removes that related disclosure from its rules. However, if by June 30, 2027, the SEC has not removed the related disclosure from its regulations, the amendments will be removed from the Codification and not become effective. Early adoption is prohibited. We are evaluating the potential impact of this guidance on our consolidated financial statements and related disclosures.

In November 2023, the FASB issued ASU No. 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*, which amended disclosure requirements for segment reporting. The amendments in this ASU improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses, amendments to enhance interim disclosure requirements and introduce additional details about the chief operating decision maker. These changes address certain investor concerns that disclosures over reportable segment expenses were limited. The amendments in this update are effective for annual reporting periods beginning after December 15, 2023 and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. We are evaluating the potential impact of this guidance on our consolidated financial statements and related disclosures.

In December 2023, the FASB issued ASU No. 2023-09, *Income Tax (Topic 740): Improvements to Income Tax Disclosures*, which amended disclosure requirements for income taxes. The primary changes from this update relate to improvements over income tax disclosures related to the rate reconciliation, income taxes paid and other disclosures. These changes help investors better 1) understand on an entity's' exposure to potential changes in jurisdictional tax legislation and the ensuing risks and opportunities, (2) assess income tax information that affects cash flow forecasts and capital allocation decisions, and (3) identify potential opportunities to increase future cash flows. The amendments in this update are effective for annual reporting periods beginning after December 15, 2025, with early adoption permitted. We are evaluating the potential impact of this guidance on our consolidated financial statements and related disclosures.

3. Business Combinations and Dispositions

Dispositions

In September 2023, as part of our strategic transformation plan announced in March 2023, we sold our South Korean and Canadian businesses to unrelated third-parties. These sales did not qualify for accounting as discontinued operations under ASC 205, Presentation of Financial Statements.

South Korea

On September 5, 2023, we entered into an asset purchase agreement with an unrelated third party for the sale of certain net assets used in connection with the operation of our South Korean subsidiary, Allbirds Korea LLC. The net assets sold primarily included inventory and property and equipment related to our retail store lease, offset by sales return liabilities and gift card liabilities. As part of this transaction, we are to be paid consideration of $1.6 million, payable in three separate installments, first commencing within 60 days of the date of the sale and ending on March 31, 2024, recorded in other receivables within prepaid expenses and other current assets on our condensed consolidated balance sheet. Consideration received was less than the net book value of the transferred net assets of $1.9 million, resulting in a loss of $0.3 million, which was recorded in the condensed consolidated statement of operations and comprehensive loss for the year ended December 31, 2023.

Canada

On September 19, 2023, we entered into an asset purchase agreement with an unrelated third party for the sale of certain net assets used in connection with the operation of our Canadian subsidiary, Allbirds Canada, ULC. The net assets sold primarily include inventory and property and equipment related to our retail store leases, offset by sales return liabilities and gift card liabilities. As part of this transaction, we are to be paid a total consideration of $1.3 million, payable in four separate installments, commencing on November 15, 2023 and ending on March 15, 2024, recorded in other receivables within prepaid expenses and other current assets on our condensed consolidated balance sheet. Consideration received was less than the net book value of the transferred net assets of $3.7 million, resulting in a loss of $2.4 million, which was recorded in the condensed consolidated statement of operations and comprehensive loss for the year ended December 31, 2023.

Assets Held for Sale

We classify assets held for sale in accordance with ASC Topic 360. When we make the decision to sell an asset, we assess if such asset should be classified as an asset held for sale. To classify as an asset held for sale, the asset or disposal group must meet all of the following conditions: i) management, having the authority to approve the action, commits to a plan to sell the asset, ii) the asset is available for immediate sale in its present condition, subject to certain customary terms, iii) an active program to locate a buyer and other actions required to complete the plan to sell the asset have been initiated, iv) the sale of the asset is probable and the transfer of the asset is expected to qualify for recognition as a completed sale, within one year, subject to certain exceptions, v) the asset is being actively marketed for sale at a price that is reasonable in relation to its current value, and vi) actions required to complete the plan indicate that it is unlikely that the plan will be significantly changed or withdrawn. Assets held for sale are measured at the lower of their carrying amount or fair value less cost to sell. The fair value less cost to sell is the amount obtainable from the sale of the asset in an arm's length transaction, less the costs of disposal. Once classified as held for sale, any depreciation and amortization on an asset cease to be recorded. There were no assets held for sale as of December 31, 2023.

4. Balance Sheet Components

Inventory

Inventory consisted of the following as of December 31, 2023 and 2022:

(in thousands)	December 31, 2023	December 31, 2022
Finished goods	$ 64,281	$ 125,065
Reserve to reduce inventories to net realizable value	(6,518)	(8,269)
Total inventory	$ 57,763	$ 116,796

Property and Equipment - Net

Property and equipment consisted of the following as of December 31, 2023 and 2022:

(in thousands)	December 31, 2023	December 31, 2022
Leasehold improvements	$ 40,008	$ 40,305
Furniture and fixtures	23,756	23,988
Internal-use software	29,367	23,393
Machinery and equipment	975	884
Computers and equipment	2,836	1,937
Total property and equipment - gross	96,942	90,507
Less: accumulated depreciation and amortization	(70,857)	(36,167)
Total property and equipment - net	$ 26,085	$ 54,340

Depreciation and amortization expense for the years ended December 31, 2023 and 2022 was $21.1 million and $15.8 million, respectively, recognized as selling, general, and administrative expense in the consolidated statements of operations and comprehensive loss.

During the fourth quarter of 2023, we determined that triggering events, including a current-period and history of operating cash flow losses, occurred and required an impairment review of our long-lived assets, including property and equipment. Based on the results of our undiscounted cash flow analysis, we identified certain asset groups in which the projected future undiscounted net cash flows were less than the carrying value of an asset group. For these asset groups, the assets were written down to their fair values, measured primarily on an independent third-party valuation of these long-lived assets. As a result, we recognized impairment charges for the year ended December 31, 2023 of $27.4 million, of which $17.6 million related to property and equipment, primarily leasehold improvements within our retail stores.

Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consisted of the following as of December 31, 2023 and 2022:

(in thousands)	December 31, 2023	December 31, 2022
Prepaid expenses	$ 5,248	$ 6,283
Inventory returns receivable	927	1,090
Security deposits	458	463
Tax receivable	6,865	6,420
Other receivables	2,284	908
Restricted cash	641	632
Total prepaid expenses and other current assets	$ 16,423	$ 15,796

Other Assets

Other assets consisted of the following as of December 31, 2023 and 2022:

(in thousands)	December 31, 2023	December 31, 2022
Investment in equity securities	$ 2,000	$ 2,250
Security deposits	3,564	4,417
Intangible assets	82	133
Debt issuance costs	8	57
Deferred tax assets	1,475	1,001
Total other assets	$ 7,129	$ 7,858

Investments in equity securities

On November 20, 2020, we entered into an agreement to make a minority equity investment of $2.0 million in Natural Fiber Welding, Inc. in exchange for 201,207 shares of Series A-3 Preferred Stock. Our investment is carried at cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions for an identical or similar investment of the same issuer. Throughout the year, we assess whether impairment indicators exist to trigger the performance of an impairment analysis. There were no impairment charges or observable price changes for the years ended December 31, 2023 and 2022.

On November 22, 2021, we made a $0.3 million investment in NoHo ESG, Inc. via a simple agreement for future equity (“SAFE”). Our investment was carried at cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions for an identical or similar investment of the same issuer. Throughout the year, we assess whether impairment indicators exist to trigger the performance of an impairment analysis. In April 2023, Noho ESG was dissolved. In accordance with the provisions of the SAFE, we were entitled to receive the entire amount of our investment. However, as a result of a shortfall of assets, we received a pro rata share of remaining assets, which included approximately $0.2 million in cash and rights to their intellectual property. Therefore, we recorded a realized loss on our investment of $0.1 million for the year ended December 31, 2023.

Accrued Expenses and Other Current Liabilities

Accrued expenses consisted of the following as of December 31, 2023 and 2022:

(in thousands)	December 31, 2023	December 31, 2022
Sales-refund reserve	$ 3,370	$ 4,534
Taxes payable	1,996	3,336
Employee-related liabilities	4,174	2,624
Accrued expenses	13,447	12,954
Total accrued expenses and other current liabilities	$ 22,987	$ 23,448

5. Fair Value Measurements

Items Measured at Fair Value on a recurring basis

Money Market Funds—In December 2022, we transferred $82.0 million of cash to JPMorgan Chase Bank, N.A to invest in a U.S. treasury securities money market fund. The funds are classified as cash and cash equivalents on our consolidated balance sheets as of December 31, 2023 and 2022 and represent Level 1 assets on the fair value hierarchy.

For assets measured at fair value, the following tables summarize the respective fair values and classifications by level of input within the fair value hierarchy as of December 31, 2023 and 2022. We had no liabilities measured at fair value as of December 31, 2023 and 2022:

	December 31, 2023			
(in thousands)	Level 1	Level 2	Level 3	Total
Assets				
Money market funds	$ 82,000	$ —	$ —	$ 82,000
	$ 82,000	$ —	$ —	$ 82,000

	December 31, 2022			
(in thousands)	Level 1	Level 2	Level 3	Total
Assets				
Money market funds	$ 82,000	$ —	$ —	$ 82,000
	$ 82,000	$ —	$ —	$ 82,000

Items Measured at Fair Value on a non-recurring basis

Equity Investments—Our equity investments in NFW and Noho ESG represent non-marketable equity securities in privately held companies that do not have a readily determinable fair value and are accounted for under the measurement alternative in ASC 321. The investments are accounted for at cost and adjusted based on observable price changes from orderly transactions for identical or similar investments of the same issuer or impairment. We recognized a $0.1 million loss for our investment in Noho ESG during the year ended December 31, 2023, as described in Note 4. The carrying values of our investments were $2.0 million and $2.3 million as of December 31, 2023 and 2022, respectively.

6. Long-term Debt

On February 20, 2019, we entered into a credit agreement with JPMorgan Chase Bank, N.A. (the "Original Credit Agreement"). The Original Credit Agreement was an asset-based loan, which provided for a revolving line of credit of up to $40.0 million and an optional accordion, which, if exercised, would have allowed us to increase the aggregate commitment by up to $35.0 million, subject to obtaining additional lender commitments and satisfying certain conditions. The Original Credit Agreement had a maturity date of February 20, 2024.

On April 17, 2023, we entered into the Second Amendment to the Original Credit Agreement (the Original Credit Agreement, as amended, the Credit Agreement), which amended the terms of the Credit Agreement to, among other things, (i) increase the committed amount from $40.0 million to $50.0 million, (ii) increase the uncommitted incremental borrowing capacity from $35.0 million to $50.0 million, (iii) increase the interest rate margin by 0.50%, (iv) extend the maturity date from February 20, 2024 to April 17, 2026 and (v) provide that a Dominion Event Date (as defined therein) shall occur on any date on which Availability (as defined therein) is less than 25.0% of the Aggregate Revolving Commitments (as defined therein).

Interest on borrowings under the Credit Agreement accrue at a variable rate equal to (i) the Term Secured Overnight Financing Rate ("SOFR"), plus (ii) 0.10%, plus (iii) a specified spread of 1.75% or 2.00% dependent on the average quarterly revolver availability, calculated on the last day of each fiscal quarter being greater than 20% of the total revolver commitments or less than or equal to 20% of the total revolver commitments, respectively. The commitment fee under the Credit Agreement is 0.20% per annum on the average daily unused portion of each lender's commitment. In addition, we are required to pay a fronting fee of 0.125% per annum on the average daily aggregate face amount of issued and outstanding letters of credit. Interest, commitment fees and fronting fees are payable monthly, in arrears.

The Credit Agreement contains customary representations and warranties and customary affirmative and negative covenants applicable to us and our subsidiaries, including, among other things, restrictions on indebtedness, liens, investments, mergers, dispositions, dividends and other distributions and a financial covenant that requires us to maintain a specified minimum fixed charge coverage ratio. In addition, the Credit Agreement contains certain customary events of default including, but not limited to, failure to pay interest, principal and fees or other amounts when due, material misrepresentations or misstatements in any representation or warranty, covenant defaults, certain cross defaults to other material indebtedness, certain judgment defaults and events of bankruptcy.

As of December 31, 2023 and December 31, 2022, there were no amounts outstanding under the Credit Agreement.

7. Stockholders' Equity

As of December 31, 2023 and 2022, we were authorized to issue 2,220,000,000 shares of capital stock, comprised of 2,000,000,000 shares of Class A common stock, 200,000,000 shares of Class B common stock, and 20,000,000 shares of preferred stock. All classes of our stock have a par value of $0.0001.

Preferred stock

As of December 31, 2023 and 2022, there were no shares of convertible preferred stock issued and outstanding.

Common Stock

As of December 31, 2023 and 2022, the Company had two classes of common stock: Class A common stock and Class B common stock. Each class had a par value of $0.0001.

Voting—Holders of Class A common stock are entitled to one vote per share on all matters to be voted upon by the stockholders, and holders of Class B common stock are entitled to 10 votes per share on all matters to be voted upon by the stockholders. The holders of our Class A common stock and Class B common stock generally vote together as a single class on all matters submitted to a vote of our stockholders, unless otherwise required by Delaware law or our amended and restated certificate of incorporation. Delaware law could require either holders of our Class A common stock or Class B common stock to vote separately as a single class in the following circumstances: (i) if we were to seek to amend our amended and restated certificate of incorporation to increase or decrease the number of authorized shares of a class of our capital stock, then that class would be required to vote separately to approve the proposed amendment; (ii) if we were to seek to amend our amended and restated certificate of incorporation to increase or decrease the par value of a class of our capital stock, then that class would be required to vote separately to approve the proposed amendment; and (iii) if we were to seek to amend our amended and restated certificate of incorporation in a manner that alters or changes the powers, preferences or special rights of a class of our capital stock in a manner that affected its holders adversely, then that class would be required to vote separately to approve the proposed amendment. As a result, in these limited instances, the holders of a majority of the Class A common stock could defeat an amendment to our amended and restated certificate of incorporation. Our amended and restated certificate of incorporation does not provide for cumulative voting for the election of directors.

Dividends—Holders of Class A common stock and Class B common stock are entitled to ratably receive dividends if, as and when declared from time to time by our board of directors at its own discretion out of funds legally available for that purpose, after payment of dividends required to be paid on outstanding preferred stock, if any. Under Delaware law, we can only pay dividends either out of "surplus" or out of the current or the immediately preceding year's net profits. Surplus is defined as the excess, if any, at any given time, of the total assets of a corporation over its total liabilities and statutory capital. The value of a corporation's assets can be measured in a number of ways and may not necessarily equal their book value.

Right to Receive Liquidation Distributions—Upon our dissolution, liquidation, or winding-up, the assets legally available for distribution to our stockholders are distributable ratably among the holders of our Class A common stock and Class B common stock, subject to prior satisfaction of all outstanding debt and liabilities and the preferential rights and payment of liquidation preferences, if any, on any outstanding shares of preferred stock.

Conversion—Each share of our Class B common stock is convertible at any time at the option of the holder into one share of our Class A common stock. Each share of our Class B common stock will convert automatically into one share of our Class A common stock upon any transfer, whether or not for value, except for (i) certain permitted transfers to entities, to the extent the transferor retains sole dispositive power and exclusive voting control with respect to the shares of Class B common stock, and (ii) certain other permitted transfers described in our amended and restated certificate of incorporation. In addition, if held by a natural person (including a natural person serving in a sole trustee capacity), each share of our Class B common stock will convert automatically into one share of our Class A common stock upon the death or incapacity of such natural person as described in our amended and restated certificate of incorporation. All outstanding shares of our Class B common stock will convert automatically into an equivalent number of shares of our Class A common stock upon the final conversion date, defined as the later of (a) the last trading day of the fiscal quarter immediately following the tenth anniversary of November 5, 2021 and (b) the date fixed by our board of directors that is no less than 61 days and no more than 180 days following the date on which the outstanding shares of Class B common stock first represent less than 10% of the aggregate number of the then outstanding shares of Class A common stock and Class B common stock (except if the final conversion date determined according to (a) or (b) would otherwise occur on or after the record date of any meeting of stockholders and before or at the time the vote at such meeting is taken, then the final conversion date shall instead be the last trading day of the fiscal quarter during which such vote was taken).

Other Matters—The Class A common stock and Class B common stock have no preemptive rights pursuant to the terms of our amended and restated certificate of incorporation and our amended and restated bylaws. There are no redemption or sinking fund provisions applicable to the Class A common stock and Class B common stock. All outstanding shares of our Class A common stock are fully paid and non-assessable.

Shares of common stock reserved for future issuance as of December 31, 2023 and 2022 consist of the following:

	December 31, 2023	December 31, 2022
Shares reserved for convertible preferred stock outstanding	—	—
2015 Equity Incentive Plan:		
Options issued and outstanding	8,206,091	12,700,367
Shares available for future option grants	—	—
2021 Equity Incentive Plan:		
Options issued and outstanding	5,043,892	2,687,819
Shares available for future option grants	11,291,364	13,236,891
RSUs outstanding	10,264,090	4,788,964
PSUs outstanding	525,108	787,660
2021 Employee Stock Purchase Plan:		
Shares available for future grants	5,236,950	4,091,248
Total shares of common stock reserved for future issuance	40,567,495	38,292,949

8. Warrants

Common Stock Warrants

Through 2019, we issued warrants to purchase common stock to various third parties. The warrants were exercised in full in August 2022, and therefore, there were no common stock warrants outstanding as of December 31, 2023 and December 31, 2022. We recorded $0.0 million and $1.0 million in common stock warrant expense for the years ended December 31, 2023 and 2022, respectively.

The following is a summary of warrant activity as of December 31, 2022:

Date of issuance	July 2018
Outstanding at December 31, 2021	30,684
Exercised 2022	30,684
Outstanding at December 31, 2022	—

9. Stock Transactions

On September 5, 2018, we received a promissory note from an employee in consideration for the early exercise of 825,000 shares of common stock options. In June 2020, the employee resigned from the company and the promissory note was amended and restated to reflect the loan amount related to the vested shares, and the cancellation of indebtedness and our repurchase of the employee's unvested shares. The promissory note is secured by the underlying shares of common stock and bears interest at the lesser of 2.86% per annum or the maximum rate permissible by law (which under the laws of the State of California shall be deemed to be the laws relating to permissible rates of interest on commercial loans). During the third quarter of 2022, the promissory note was paid in full, including all accrued interest. The repayment of $0.5 million was recognized within additional paid-in capital in stockholder's equity on the consolidated balance sheet. The associated shares are legally outstanding and were historically included in shares of common stock outstanding in the condensed consolidated financial statements but were historically excluded from our net loss per share calculations, as these shares of common stock were considered unvested until the underlying promissory notes were repaid. After repayment of the loan, the vested shares are now considered outstanding for purposes of our net loss per share calculations.

On November 19, 2018, we received a promissory note from an employee in consideration for the early exercise of 220,000 shares of common stock options. The promissory note is secured by the underlying shares of common stock and bears interest at 2.86% per annum. In June 2023, the note was amended to no longer accrue interest after March 31, 2023 and to extend the maturity date to October 1, 2025. As of December 31, 2023, the promissory note was outstanding.

Since the notes are limited recourse notes, the note receivables are not reflected in our consolidated balance sheets as of December 31, 2023 and 2022.

10. Stock-Based Compensation

2015 Equity Incentive Plan

In 2015, we adopted the 2015 Equity Incentive Plan (the "2015 Plan") that authorized the granting of options for shares of common stock. Our 2015 Plan provided for the grant of incentive stock options, non-statutory stock options, stock appreciation rights, restricted stock awards, restricted stock unit ("RSU") awards, and other stock awards. The 2015 Plan was terminated in connection with the adoption of the 2021 Equity Incentive Plan (the "2021 Plan") in November 2021 in connection with the IPO, and we will not grant any additional awards under the 2015 Plan. However, the 2015 Plan will continue to govern the terms and conditions of the outstanding awards previously granted thereunder.

2021 Equity Incentive Plan

In September 2021, our board of directors adopted, and our stockholders approved, the 2021 Plan, which became effective in connection with the IPO in November 2021. The 2021 Plan provides for the grant of incentive stock options, nonqualified stock options, stock appreciation rights, restricted stock awards, RSU awards, performance awards, and other forms of equity compensation. The number of shares of our Class A common stock reserved for issuance under the 2021

Plan will automatically increase on January 1 of each year for a period of 10 years, beginning on January 1, 2022 and continuing through (and including) January 1, 2031, in an amount equal to 4% of the total number of share of our common stock (both Class A and Class B) outstanding on December 31 of the immediately preceding year, except that, before the date of any such increase, our board of directors may determine that the increase for such year will be the lesser number of shares. Additionally, to the extent that any stock options outstanding under the 2015 Plan expire, terminate prior to exercise, are not issued because the award is settled in cash, are forfeited because of the failure to vest, or are reacquired or withheld (or not issued) to satisfy a tax withholding obligation or the purchase or exercise price, if any, the shares of Class B common stock reserved for issuance pursuant to such equity awards will become available for issuance as shares of Class A common stock under the 2021 Plan. The maximum number of shares of our Class A common stock that may be issued on the exercise of incentive stock options under the 2021 Plan will be 100,000,000 shares.

2021 Employee Stock Purchase Plan

In September 2021, our board of directors adopted, and our stockholders approved, the 2021 Employee Stock Purchase Plan (the "2021 ESPP"), which became effective in connection with the IPO in November 2021. The 2021 ESPP authorizes the issuance of shares of Class A common stock pursuant to purchase rights granted to employees. A total of 5,236,950 shares of the Company's Class A common stock have been reserved for future issuance under the 2021 ESPP as of December 31, 2023. The number of shares of our Class A common stock reserved for issuance will automatically increase on January 1 of each year for a period of 10 years, beginning on January 1, 2022 and continuing through (and including) January 1, 2031, by the lesser of (1) 1% of the total number of shares of our common stock (both Class A and Class B) outstanding on December 31 of the immediately preceding year and (2) 2,850,000 shares, except that, before the date of any such increase, our board of directors may determine that such increase will be less than the amount set forth in clauses (1) and (2). The price at which Class A common stock is purchased under the 2021 ESPP is equal to 85% of the fair market value of a share of the Company's Class A common stock on the first day of the offering period or the date of purchase, whichever is lower. Offering periods are six months long and begin on November 3 and May 3 of each year. The initial offering period began on November 3, 2021.

Stock Options

A summary of the status of the 2015 Plan and the 2021 Plan as of December 31, 2023 and 2022, and changes during the periods then ended is presented below:

	Options Outstanding			
	Number of Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding at December 31, 2022	15,388,186	$ 3.71	6.43	$ 6,101
Granted	2,638,982	1.39		
Exercised	(1,715,629)	0.77		1,807
Forfeited	(1,316,164)	4.29		
Cancelled	(1,745,392)	3.86		
Outstanding at December 31, 2023	13,249,983	$ 3.60	6.50	$ 927
Vested and exercisable at December 31, 2023	8,301,286	4.06	5.18	927

For the years ended December 31, 2023 and 2022, the aggregate intrinsic value of stock options exercised under both equity incentive plans was $1.8 million and $9.6 million, respectively. Aggregate intrinsic value represents the difference between the exercise price of the options and the fair value of our common stock as of the reporting date.

The weighted-average fair value of options granted during the years ended December 31, 2023 and 2022 was $0.63 and $2.57 per share, respectively. We calculated the fair value of each option using an expected volatility over the expected life of the option, which was estimated using the average volatility of comparable publicly traded companies. The expected life of options granted is based on the simplified method to estimate the expected life of the stock options, giving consideration to the contractual terms and vesting schedules. The following weighted average assumptions were used for issuances during the years ended December 31, 2023 and 2022 for employees and non-employees:

	December 31, 2023	December 31, 2022
Risk-free interest rate	3.77 %	2.90 %
Dividend yield	—	—
Volatility	42.43 %	46.87 %
Expected lives (in years)	6.0	5.9

Option Repricing—In May 2022, the compensation and leadership management committee of our board of directors approved a repricing of certain stock options held by employees (the “Repricing”), whereby certain previously granted and still outstanding vested and unvested stock options were repriced on a one-for-one basis to $4.39 per share, which represented the closing market price of our Class A common stock on May 20, 2022 (the “Repricing Date”). No other terms of the repriced stock options were modified, and the repriced stock options will continue to vest according to their original vesting schedules and will retain their original expiration dates. As a result of the Repricing, vested and unvested stock options outstanding as of the Repricing Date, with original exercise prices ranging from $4.70 to $14.45, were repriced. The repricing resulted in one-time incremental stock-based compensation expense of $1.6 million, of which $0.1 million was related to vested stock options and was recognized on the Repricing Date in the second quarter of 2022, and $1.5 million was related to unvested stock options, which is recognized on a straight-line basis over the remaining requisite service period of the repriced stock options.

2021 ESPP

The following table summarizes the weighted-average assumptions used in estimating the fair value of the 2021 ESPP grants for the following offering periods, using the Black Scholes option-pricing model:

	Offering Period - November 3, 2023 to May 2, 2024	Offering Period - May 3, 2023 to November 2, 2023	Offering Period - November 3, 2022 to May 2, 2023	Offering Period - May 3, 2022 to November 2, 2022	Offering Period - November 3, 2021 to May 2, 2022
Risk-free interest rate	5.45 %	5.08 %	4.44 %	2.97 %	1.63 %
Dividend yield	—	—	—	—	—
Volatility	43.12 %	45.59 %	43.42 %	47.15 %	63.00 %
Expected lives (in years)	0.5	0.5	0.5	0.5	0.5

RSUs

After completion of the IPO in November 2021, the Company began granting RSUs to certain employees. The RSUs granted had service-based vesting conditions. The service-based vesting condition for these awards is typically satisfied over four years, with a cliff vesting period of one year and continued vesting quarterly thereafter. The service-based vesting condition for refresh grants of RSUs to existing employees is typically satisfied over three years with vesting occurring quarterly, subject to the employees’ continued service to us. RSUs and the related stock-based compensation are recognized on a straight-line basis over the requisite service period.

RSU activity during the year ended December 31, 2023 was as follows:

	Number of Shares	Weighted-Average Grant Date Fair Value per Share
Unvested at December 31, 2022	4,788,964	$ 4.86
Granted	12,068,589	1.56
Vested	(3,151,571)	3.47
Forfeited	(3,441,892)	2.87
Unvested at December 31, 2023	10,264,090	$ 1.93

Performance Stock Units

In May 2022, we granted a target amount of 0.8 million RSUs with market-based and service-based vesting conditions ("PSUs") to certain executives. The market vesting criteria is based on achievement of certain total shareholder return ("TSR") results relative to the S&P Total Market Consumer Discretionary Index (the "Index") during a one-year, two-year, and three-year performance period, respectively, beginning on June 1, 2022, and ending on May 31, 2025. The market condition allows for a range of vesting from 0% to 150% of the target amount, depending on the relative TSR achieved by us against the Index. In addition to the market condition, these PSUs are subject to the continuing service of the executives and vest in three equal annual installments. The fair value of PSUs is measured on the grant date using a Monte Carlo simulation model. Each of the three performance periods is considered an individual tranche of the award (referred to as "Tranche 1," "Tranche 2" and "Tranche 3," respectively).

	Number of Shares	Grant Date Fair Value per Share	Requisite Service Period
Tranche 1	262,553	$ 4.77	June 1, 2022 - May 31, 2023
Tranche 2	262,553	$ 5.16	June 1, 2022 - May 31, 2024
Tranche 3	262,554	$ 5.41	June 1, 2022 - May 31, 2025

The total grant date fair value of the awards was determined to be $4.0 million, with each tranche of the awards representing $1.3 million, $1.4 million, and $1.4 million of the total expense, respectively. Stock-based compensation expense related to PSUs is recognized on a straight-line basis over their requisite service periods, regardless of whether the market condition is ultimately satisfied. Stock-based compensation expense is not reversed if the achievement of the market condition does not occur. We recognized stock-based compensation expense of $1.7 million and $1.4 million as of December 31, 2023 and 2022, respectively, as selling, general and administrative expense in the condensed consolidated statements of operations and comprehensive loss related to these awards. We recognized no stock-based compensation expense for these awards prior to May 2022.

PSU activity for the year ended December 31, 2023 was as follows:

	Target Number of Shares	Weighted-Average Grant Date Fair Value per Share
Unvested at December 31, 2022	787,660	$ 5.11
Granted	—	—
Vested	—	—
Forfeited	(262,552)	4.77
Unvested at December 31, 2023	525,108	$ 5.29

Stock-based Compensation Expense

Stock-based compensation expense, included in selling, general, and administrative expense in the consolidated statements of operations and comprehensive loss, for the years ended December 31, 2023 and 2022 was comprised of the following:

(in thousands)	December 31, 2023	December 31, 2022
Stock-based compensation, net of amounts capitalized	$ 19,346	$ 19,031
Capitalized stock-based compensation	866	1,200
Total stock-based compensation	$ 20,212	$ 20,231

As of December 31, 2023, there was approximately $6.9 million of total unrecognized compensation cost related to outstanding unvested stock options under both equity incentive plans. The remaining unrecognized compensation cost is expected to be recognized over the weighted-average remaining vesting period of approximately 2.78 years.

As of December 31, 2023, there was approximately $17.9 million of total unrecognized compensation cost related to outstanding unvested RSUs under the 2021 Plan. The remaining unrecognized compensation cost is expected to be recognized over the weighted-average remaining vesting period of approximately 2.76 years.

As of December 31, 2023, there was approximately $1.0 million of total unrecognized compensation cost related to outstanding unvested PSUs under the 2021 Plan. The remaining unrecognized compensation cost is expected to be recognized over the weighted-average remaining vesting period of approximately 1.42 years.

11. Income Taxes

The components of loss before provision for income taxes are as follows for the years ended December 31, 2023 and 2022:

(in thousands)	December 31, 2023	December 31, 2022
Loss before provision for income taxes		
United States	$ (150,009)	$ (97,277)
Foreign	(2,115)	(2,850)
	$ (152,124)	$ (100,127)

Our total provision for income taxes consists of the following for the years ended December 31, 2023 and 2022:

(in thousands)	December 31, 2023	December 31, 2022
Current:		
Federal	$ —	$ —
State	(258)	(195)
Foreign	(550)	(1,931)
	(808)	(2,125)
Deferred		
Federal	—	75
State	—	—
Foreign	474	823
	474	898
	$ (334)	$ (1,227)

The reconciliation of our effective tax rate to the statutory federal rate of 21% for the years ended December 31, 2023 and 2022, is as follows:

(in thousands)	December 31, 2023	December 31, 2022
Income tax benefit at statutory rate	(21.00)%	(21.00)%
State income taxes-net of federal provision (benefit)	(4.21)%	(4.38)%
Foreign rate differential	(0.06)%	0.32 %
Stock-based compensation	1.33 %	1.78 %
Charitable contribution	(0.09)%	(0.15)%
Return to provision and other	0.32 %	(0.10)%
Uncertain tax positions	0.12 %	0.26 %
Tax credits	(0.49)%	(1.03)%
Other	0.02 %	0.76 %
Valuation allowance	24.28 %	24.77 %
	0.22 %	1.23 %

Significant components of our net deferred tax assets as of December 31, 2023 and 2022, which are included in other assets in the consolidated balance sheets, are as follows:

(in thousands)	December 31, 2023	December 31, 2022
Deferred tax asset:		
Inventory	$ 2,117	$ 2,956
Accruals	800	732
Stock-based compensation	1,822	2,837
Net operating loss carryforwards	43,157	20,126
R&D credits	5,091	4,284
Charitable contributions	3,101	2,932
Intangibles	709	697
Deferred revenue	1,000	974
Advertising	1,910	1,533
Intercompany payable	552	552
Lease liability	24,011	23,511
Section 174 capitalized costs	7,978	6,721
Depreciation	6,995	—
Other	731	755
Total gross deferred tax assets	99,974	68,610
Less: valuation allowance	(81,592)	(45,745)
Total deferred tax assets	18,382	22,865
Deferred tax liabilities:		
Prepaid expenses	(388)	(118)
Depreciation	—	(1,694)
Right-of-use assets	(16,519)	(20,052)
Total deferred tax liabilities	(16,907)	(21,864)
Net deferred tax assets	$ 1,475	$ 1,001

We record deferred income taxes using enacted tax laws and rates for the years in which the taxes are expected to be paid. Deferred income tax assets and liabilities are recorded based on the differences between the financial reporting and income tax bases of assets and liabilities.

Because we have a recent history of pre-tax book losses and are expected to be in pre-tax book loss in the immediate future, both of which are considered significant negative evidence, the deferred tax assets in the United States and certain foreign jurisdictions have been reduced by a valuation allowance to an amount that is more likely than not to be realized.

The United States federal tax rules generally provide for a 100% deduction for dividends received from foreign subsidiaries. Nevertheless, companies must still apply the guidance of ASC 740 to account for the tax consequences of outside basis differences and other tax impacts of their investments in foreign subsidiaries, including potential state income tax and foreign withholding taxes on distributions. We consider all of the undistributed earnings of our foreign subsidiaries to be indefinitely reinvested and, as a result, no liability for U.S. federal and state income taxes nor foreign withholding taxes has been provided. If we were to repatriate the undistributed earnings of our foreign subsidiaries of approximately $2.2 million back to the U.S., the impact to the consolidated financial statements would not be material.

A tabular reconciliation of the total amounts of unrecognized tax benefits for the year presented is as follows:

(in thousands)	December 31, 2023	December 31, 2022
Unrecognized tax benefits - at beginning of year	$ 1,634	$ 1,265
Increases in balances related to tax positions taken in prior years	53	175
Decreases in balances related to tax positions taken in prior years	—	(70)
Increases in balances related to tax positions taken in current year	238	264
Unrecognized tax benefits - at end of year	$ 1,925	$ 1,634

We follow the guidance for accounting for uncertainty in income taxes in accordance with FASB ASC 740, which clarifies uncertainty in income taxes recognized in an enterprise's financial statements. The standard also prescribes a recognition threshold and measurement standard for the financial statement recognition and measurement of an income tax position taken, or expected to be taken, in an income tax return. Only tax positions that meet the more likely than not recognition threshold may be recognized. In addition, the standard provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, and disclosure. As of December 31, 2023 and 2022, the balance of unrecognized tax benefits of $1.9 million and $1.6 million, respectively, relate to tax credits that, if recognized, would be in the form of a carryforward which is expected to require a full valuation allowance based on present circumstances. Therefore, these unrecognized tax benefits would not have an effect on the effective tax rate. The unrecognized tax benefits are not expected to materially change in the next twelve months. The total amounts of interest and penalties recognized for the years ended December 31, 2023 and 2022 were not material. Our tax years for 2016 through 2022 are still subject to examination by the tax authorities.

At December 31, 2023, we had income tax net operating loss carryforwards for our U.S. federal, state, and foreign operations of approximately $157.6 million, $194.8 million, and $6.5 million respectively. At December 31, 2022, we had income tax net operating loss carryforwards for our U.S. federal, state, and foreign operations of approximately $71.4 million, $72.8 million, and $4.5 million, respectively. The federal tax loss carryforwards do not expire. The state and foreign tax loss carryforwards will begin to expire in 2024 and 2026, respectively.

At December 31, 2023, we had federal and state research and development credit carryforwards of $4.3 million and $3.1 million, respectively. The federal tax credit carryforwards will begin to expire in 2035. The state tax credit carryforwards do not expire.

Utilization of some of the federal and state NOL and credit carryforwards are subject to annual limitations due to the "change in ownership" provisions of the IRC and similar state provisions. We do not anticipate these limitations, if any, will significantly impact our ability to utilize the NOLs and tax credit carryforwards.

12. Commitments and Contingencies

Purchase Commitments

On December 15, 2022, we renewed our supplier agreement with Braskem S.A., a Brazilian petrochemical company. The contract requires us, through our manufacturers, to commit to purchase a minimum amount of material per year until 2027. We purchased approximately $2.2 million in material in 2023. The table below shows the minimum purchase amounts per year:

(in thousands)	Braskem S.A.
Fiscal year ended December 31,	
2024	$ 3,171
2025	3,624
2026	4,077
2027	4,530
Total minimum purchase commitments	$ 15,402

Contingencies

We are subject to various claims and legal proceedings that arise in the ordinary course of our business activities. Although the outcome of any legal proceedings cannot be predicted with certainty, for the years ended December 31, 2023 and 2022, our ultimate liability, if any, is not expected to have a material effect on our financial position or operations.

On April 13, 2023, and on May 16, 2023, we and certain of our executive officers and directors were named as defendants in two substantially similar securities class action lawsuits, captioned Shnayder v. Allbirds, Inc., et al., Case No. 23-cv-01811-AMO and Delgado v. Allbirds, Inc., et al., Case No. 23-cv-02372-AMO, filed in the United States District Court for the Northern District of California. These lawsuits allege that we violated Sections 10(b) and 20(a) of the Exchange Act and SEC Rule 10b-5, 17 C.F.R. § 240.10b-5, promulgated thereunder, and Sections 11 and 15 of the Securities Act by making materially false and/or misleading statements about our business, operations and prospects. The plaintiffs seek damages in an unspecified amount. On July 25, 2023, the court entered an order consolidating the two cases, appointing lead plaintiffs, and approving lead plaintiffs' selection of lead counsel. On September 15, 2023, lead plaintiffs filed a consolidated amended complaint against the same group of defendants and asserting the same claims. We filed a motion to dismiss the consolidated complaint on November 3, 2023. We intend to vigorously defend against this lawsuit.

On October 3, 2023, we and certain of our executive officers and directors were named as defendants in a shareholder derivative suit, captioned Park v. Zwillinger, et al., Case No. 23-cv-01092-CFC, filed in the United States District Court for the District of Delaware. This lawsuit alleges violations of Section 14(a) of the Exchange Act, contribution under Section 21D of the Exchange Act, breach of fiduciary duties, and aiding and abetting based on allegations that are substantially similar to those asserted in the securities class action. On October 13, 2023, we and certain of our past and current executive officers and directors were named as defendants in a substantially similar shareholder derivative suit, captioned Junker v. Zwillinger, et al., Case No. 23-cv-01152-CFC, filed in the United States District Court for the District of Delaware. This lawsuit alleges breach of fiduciary duties, unjust enrichment, violations of Section 10(b) of the Exchange Act, contribution under Section 11(f) of the Securities Act and Section 21D of the Exchange Act, and waste of corporate assets based on allegations that are substantially similar to those asserted in the securities class action and currently stayed. We intend to vigorously defend against these lawsuits.

13. Leases

We lease various office and retail spaces under non-cancelable operating leases with various expiration dates through fiscal 2033, certain of which contain renewal provisions. These renewal provisions are not reasonably certain to be exercised and therefore are not factored into the determination of lease payments. We have no lease agreements that are classified as finance leases.

The components of lease costs, recognized as selling, general, and administrative expense in the consolidated statements of operations and comprehensive loss, along with the weighted-average lease term and weighted-average discount rate for operating leases, are as follows:

(in thousands, except for lease term and discount rate)	December 31, 2023	December 31, 2022
Operating lease costs	$ 18,404	$ 16,508
Variable lease costs	224	759
Short-term lease costs	73	596
Sublease income	(176)	(6)
Total lease costs	$ 18,525	$ 17,857
Weighted-average remaining lease term (in years)	6.85	7.29
Weighted-average discount rate	5.93 %	4.39 %

Supplemental cash flow information related to operating leases are as follows:

(in thousands)	December 31, 2023	December 31, 2022
Cash paid for amounts included in the measurement of operating lease liabilities	$ 15,374	$ 14,657
Right of use assets obtained in exchange for lease liabilities	10,226	34,492
Right of use assets given up for reduction of lease liabilities	(11,707)	—

Future minimum lease payments under non-cancelable operating leases with initial lease terms in excess of one year, included in our lease liabilities as of December 31, 2023, are as follows:

(in thousands)	Operating Leases
Fiscal year ended December 31,	
2024	$ 19,920
2025	18,220
2026	16,683
2027	12,684
2028 and after	48,660
Total undiscounted operating lease payments	$ 116,167
Less: imputed discount	(22,218)
Total operating lease liabilities	$ 93,949

As discussed in Note 4. *Balance Sheet Components*, we determined that triggering events, including a current-period and history of operating cash flow losses, occurred and required an impairment review of our long-lived assets associated with our retail store leases, including operating lease right-of-use assets. Based on the results of our undiscounted cash flow analysis, we identified certain asset groups in which the projected future undiscounted net cash flows were less than the carrying value of an asset group. For these asset groups, the assets were written down to their fair values, measured primarily on an independent third-party valuation of these long-lived assets. As a result, we recognized impairment charges for the year ended December 31, 2023 of $27.4 million, of which $9.8 million related to our retail store operating lease right-of-use assets.

14. Net Loss Per Share

We compute net loss per share using the two-class method required for participating securities and multiple classes of common stock. The two-class method requires net income or loss be allocated between common stock and participating securities based upon their respective rights to receive dividends as if all income or loss for the period had been distributed. The rights, including the liquidation and dividend rights and sharing of losses of the Class A common stock and Class B common stock are identical, other than voting, transfer, and conversion rights. As the liquidation and dividend rights and sharing of losses are identical, the undistributed earnings are allocated on a proportionate basis and the resulting net loss per share attributed to common stockholders will, therefore, be the same for both Class A and Class B common stock on an individual or combined basis.

The following table sets forth the computation of basic and diluted net loss per share attributable to common stockholders for the periods presented:

(in thousands, except share and per share data)	December 31, 2023	December 31, 2022
Numerator:		
Net loss attributable to common stockholders	$ (152,458)	$ (101,354)
Denominator:		
Weighted-average shares used in computing net loss per share attributable to common stockholders, basic and diluted	151,672,437	148,754,428
Net loss per share attributable to common stockholders, basic and diluted	$ (1.01)	$ (0.68)

The following shares of preferred stock and common stock were excluded from the computation of diluted net loss per share attributable to common stockholders for the periods presented, because including them would have been antidilutive:

	December 31, 2023	December 31, 2022
Outstanding stock options	13,249,983	15,388,186
2021 ESPP	—	773
RSUs	10,264,090	4,788,964
PSUs	525,108	787,660
Total anti-dilutive securities	24,039,181	20,965,583

15. Benefit Plan

We sponsor a 401(k) defined contribution plan covering eligible employees who elect to participate. We are allowed to make discretionary profit sharing and matching contributions as defined in the plan and as approved by our board of directors. No discretionary profit-sharing contributions were made for the years ended December 31, 2023 and 2022. We made $1.5 million and $1.4 million in matching contributions for the years ended December 31, 2023 and 2022, respectively. We have no intention to terminate the plan.

16. Subsequent Events

We have evaluated events occurring through March 12, 2024, the date the consolidated financial statements were available for issuance, and have determined there are no subsequent events that require disclosure in these consolidated financial statements.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosures

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act, that are designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is (1) recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms and (2) accumulated and communicated to our management, including our principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure.

Our management, with the participation of our principal executive officer and principal financial officer, evaluated, as of December 31, 2023, the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based on that evaluation, our principal executive officer and principal financial officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15(d)-15(f) and under the Exchange Act). Our management, including our principal executive officer and principal financial officer, has assessed the effectiveness of our internal control over financial reporting as of December 31, 2023, based on the framework set forth in Internal Control-Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Our internal control over financial reporting includes policies and procedures that provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with GAAP. Based on the results of our evaluation, management concluded that our internal control over financial reporting was effective as of December 31, 2023.

Our independent registered public accounting firm, Deloitte & Touche LLP, was not required to perform an evaluation of our internal control over financial reporting as of December 31, 2023, because as an "emerging growth company", we are exempt from Section 404(b) of the Sarbanes-Oxley Act of 2002.

Inherent Limitation on Effectiveness of Controls and Procedures

In designing and evaluating our disclosure controls and procedures, our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the company have been detected. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting that occurred during the quarter ended December 31, 2023 that has materially affected or is reasonably likely to materially affect our internal control over financial reporting.

Item 9B. Other Information

None.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Executive Officers and Directors

We maintain a code of business conduct and ethics that incorporates our code of ethics applicable to our directors, officers, and employees, including our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. Our code of business conduct and ethics is available under the Governance section of our Investor Relations website at ir.allbirds.com. We intend to satisfy the disclosure requirement under Item 5.05 of Form 8-K regarding amendments to, or waiver from, a provision of our code of business conduct and ethics by posting such information on the website address and location specified above.

The remaining information required by this item is incorporated by reference to the definitive proxy statement for our 2024 annual meeting of stockholders, which will be filed with the SEC no later than 120 days after December 31, 2023, under the captions “Information Regarding the Board of Directors and Corporate Governance,” “Election of Directors,” and “Executive Officers.”

Item 11. Executive Compensation

The information required by this item is incorporated by reference to the definitive proxy statement for our 2024 annual meeting of stockholders, which will be filed with the SEC no later than 120 days after December 31, 2023, under the captions “Executive Compensation” and “Non-Employee Director Compensation.”

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item is incorporated by reference to the definitive proxy statement for our 2024 annual meeting of stockholders, which will be filed with the SEC no later than 120 days after December 31, 2023, under the caption “Security Ownership of Certain Beneficial Owners and Management.”

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this item is incorporated by reference to the definitive proxy statement for our 2024 annual meeting of stockholders, which will be filed with the SEC no later than 120 days after December 31, 2023, under the captions “Transactions with Related Persons” and “Independence of the Board of Directors.”

Item 14. Principal Accounting Fees and Services

The information required by this item is incorporated by reference to the definitive proxy statement for our 2024 annual meeting of stockholders, which will be filed with the SEC no later than 120 days after December 31, 2023, under the caption “Ratification of Selection of Independent Registered Public Accounting Firm.”

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) The following documents are filed as part of this Annual Report on Form 10-K:

(1) Consolidated Financial Statements

The consolidated financial statements are filed as part of this Annual Report on Form 10-K under “Item 8. Financial Statements and Supplementary Data.”

(2) Financial Statement Schedules

The financial statement schedules are omitted because they are either not applicable or the information required is presented in the financial statements and notes thereto under “Item 8. Financial Statements and Supplementary Data.”

(3) Exhibits

The documents listed in the following Exhibit Index of this Annual Report on Form 10-K are incorporated by reference or are filed with this Annual Report on Form 10-K, in each case as indicated therein (numbered in accordance with Item 601 of Regulation S-K):

		Incorporated by Reference			
Exhibit Number	**Exhibit Title**	**Form**	**File Number**	**Exhibit**	**Filing Date**
3.1	Ninth Amended and Restated Certificate of Incorporation of the Registrant.	8-K	001-40963	3.1	November 5, 2021
3.2	Amended and Restated Bylaws of the Registrant.	8-K	001-40963	3.1	August 21, 2023
4.1	Form of Class A Common Stock Certificate of the Registrant.	S-1/A	333-259188	4.1	September 15, 2021
4.2	Fifth Amended and Restated Investors’ Rights Agreement by and among the Registrant and certain of its stockholders, dated September 22, 2020.	S-1	333-259188	10.1	August 31, 2021
4.3	Description of Securities.	10-K	001-40963	4.2	March 16, 2022
10.1#	Allbirds, Inc. 2015 Equity Incentive Plan, as amended, and forms of agreements thereunder.	S-1	333-259188	10.2	August 31, 2021
10.2#	Allbirds, Inc. 2021 Equity Incentive Plan and forms of agreements thereunder.	S-1/A	333-259188	10.3	October 25, 2021
10.3#	Allbirds, Inc. 2021 Employee Stock Purchase Plan.	10-Q	001-40963	10.2	December 7, 2021
10.4#	Form of indemnification agreement by and between the Registrant and each of its directors and executive officers.	S-1	333-259188	10.5	August 31, 2021
10.5#	Allbirds, Inc. Severance and Change in Control Plan and form of participation agreement thereunder.	S-1/A	333-259188	10.11	October 25, 2021
10.6#	Non-Employee Director Compensation Policy.	10-K	001-40963	10.6	March 16, 2022
10.7#	Offer Letter by and between the Registrant and Ann Mitchell.	10-Q	001-40963	10.1	May 10, 2023
10.8#	Offer Letter by and between the Registrant and Joe Vernachio.	S-1/A	333-259188	10.7	September 15, 2021

10.9	Standard Multi-Tenant Office Lease – Gross, by and among the Registrant, International Settlement Holding Corporation, Kristina Gavello Marital Trust, Gail Gavello, James A. Maciel, Gregory A. Maciel, Barry A. Maciel by Gregory A. Maciel POA, Barry Maciel Trust, Claude D. Perasso, Clotilde Goria, Claudia Bressie, Laura Perell, Jeanne Peters and Mary Anne Scarlett, dated July 13, 2016, as amended by Lease Extension Agreement, dated August 24, 2021.	S-1/A	333-259188	10.8	September 15, 2021
10.10	Standard Lease Agreement, by and between the Registrant and Hotaling Partners, LLC, dated November 28, 2017, as amended by First Lease Amendment, dated June 26, 2019.	S-1	333-259188	10.9	August 31, 2021
10.11	Standard Lease Agreement, by and between the Registrant and Eclipse Champagne Building, LLC, dated December 17, 2018, as amended by First Lease Amendment, dated June 26, 2019.	S-1	333-259188	10.10	August 31, 2021
10.12	Credit Agreement, dated as of February 20, 2019, among the Registrant, the Lenders Party Thereto and JPMorgan Chase Bank, N.A., as Administrative Agent	10-K	333-259188	10.12	March 10, 2023
10.13	First Amendment to Credit Agreement, dated as of March 8, 2023, among the Registrant, the other Loan Parties thereto, the lending institutions party thereto as the Lenders, and JPMorgan Chase Bank, N.A., as the Administrative Agent	10-K	333-259188	10.13	March 10, 2023
10.14*	Second Amendment to Credit Agreement, dated as of April 17, 2023, among the Registrant, the other Loan Parties thereto, the lending institutions party thereto as the Lenders, and JPMorgan Chase Bank, N.A., as the Administrative Agent	8-K	333-259188	10.1	April 19, 2023
21.1	List of Subsidiaries of the Registrant.	S-1/A	333-259188	21.1	September 27, 2021
23.1*	Consent of Deloitte & Touche LLP, independent registered accounting firm.				
24.1*	Power of Attorney (included in the signature pages attached to this Annual Report on Form 10-K).				
31.1*	Certification of Principal Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				
31.2*	Certification of Principal Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				
32.1†	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				
32.2†	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				
97.1*#	Allbirds, Inc. Clawback Policy				
101.INS*	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document				
101.SCH*	Inline XBRL Taxonomy Extension Schema Document				

101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	The cover page from the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2023, has been formatted in Inline XBRL and contained in Exhibits 101

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* Filed herewith.

\# Indicates a management contract or compensatory plan or arrangement.

† The certifications attached as Exhibits 32.1 and 32.2 that accompany this Annual Report on Form 10-K are not deemed filed with the SEC and are not to be incorporated by reference into any filing of the Registrant under the Securities Act of 1933, as amended, or the Exchange Act, whether made before or after the date of this Annual Report on Form 10-K, irrespective of any general incorporation language contained in such filing.

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ALLBIRDS, INC.

Date: March 12, 2024	By: /s/ Joseph Zwillinger Joseph Zwillinger Chief Executive Officer *(Principal Executive Officer)*
Date: March 12, 2024	By: /s/ Ann Mitchell Ann Mitchell Chief Financial Officer *(Principal Financial Officer)*

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose individual signature appears below hereby authorizes and appoints Joseph Zwillinger and Ann Mitchell, and each of them, with full power of substitution and resubstitution and full power to act without the other, as his or her true and lawful attorney-in-fact and agent to act in his or her name, place and stead and to execute in the name and on behalf of each person, individually and in each capacity stated below, and to file any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing, ratifying and confirming all that said attorneys-in-fact and agents or any of them or their or his substitute or substitutes may lawfully do or cause to be done by virtue thereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed by the following persons on behalf of the Company and in the capacities and on the dates indicated:

Signature	Title	Date
/s/ Joseph Zwillinger Joseph Zwillinger	Chief Executive Officer and Director *(Principal Executive Officer)*	March 12, 2024
/s/ Ann Mitchell Ann Mitchell	Chief Financial Officer *(Principal Financial Officer and Principal Accounting Officer)*	March 12, 2024
/s/ Neil Blumenthal Neil Blumenthal	Director	March 12, 2024
/s/ Dick Boyce Dick Boyce	Director	March 12, 2024
/s/ Timothy Brown Timothy Brown	Chief Innovation Officer and Director	March 12, 2024
/s/ Mandy Fields Mandy Fields	Director	March 12, 2024
/s/ Ann Freeman Ann Freeman	Director	March 12, 2024
/s/ Dan Levitan Dan Levitan	Director	March 12, 2024